UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In re: EZCORP, INC. SECURITIES LITIGATION, This document applies to: ALL CASES	No. 14-cv-6834 (ALC) Hon. Andrew L. Carter, Jr. **CLASS ACTION** **JURY TRIAL DEMANDED**

CONSOLIDATED AMENDED CLASS ACTION COMPLAINT

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Lead Plaintiff Automotive Machinists Pension Trust ("Lead Plaintiff"), by its undersigned attorneys, brings this action under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), and Securities Exchange Commission ("SEC") Rule 10b-5 promulgated thereunder, on behalf of itself and all other similarly situated persons and entities, except Defendants and their affiliates, who purchased or otherwise acquired EZCORP, Inc. ("EZCORP" or the "Company") common stock between April 19, 2012, and October 6, 2014, inclusive (the "Class Period"), and were damaged thereby.

Lead Plaintiff alleges the following on personal knowledge as to itself and its own acts, and on information and belief as to all other matters. Lead Plaintiff's information and belief are based on, among other things, the independent investigation of Lead Counsel, Bernstein Litowitz Berger & Grossmann LLP. This investigation included, but is not limited to, a review and analysis of (i) public filings by EZCORP with the SEC, including Forms 10-K, 10-Q, 8-K, and S-8; (ii) transcripts of earnings calls and investor conferences with EZCORP senior management; (iii) interviews with dozens of former employees and others with personal knowledge of Defendants' wrongdoing and other information relevant to the Complaint; (iv) research reports and news articles authored by securities and financial analysts; and (v) other publicly available material and data identified herein. Lead Counsel's investigation into the factual allegations contained herein is continuing, and additional facts supporting the allegations are known only to the Defendants or are exclusively within their custody or control. Lead Plaintiff believes that further evidentiary support will exist for the allegations contained herein after a reasonable opportunity for discovery.

I. SUMMARY OF THE FRAUD

1. This securities fraud action involves EZCORP – a pawn shop operator and provider of high-cost, short-term consumer loans (commonly known as payday loans). The

allegations of fraud detailed herein are confirmed and corroborated by Defendants' own admissions and public statements, regulatory investigations and several former employees of EZCORP and its United Kingdom subsidiary, Cash Genie. The fraud, orchestrated by EZCORP and its most senior executives, concealed the Company's true financial condition, its high-risk, irresponsible lending practices at Cash Genie and the true nature of its consulting relationship with its sole controlling shareholder, private equity investor Phillip Ean Cohen ("Cohen").

2. As part of EZCORP's fraud, EZCORP repeatedly told investors that it had an independently and objectively evaluated consulting agreement with Madison Park LLC ("Madison Park") that was fair to EZCORP, essential to the Company's growth and diversification, and justified by EZCORP's business practices. In truth, the Madison Park relationship was not independently or objectively evaluated by EZCORP's Board of Directors, and Cohen used the consulting arrangement to siphon millions of dollars annually to his wholly owned company, Madison Park. Unbeknownst to investors, EZCORP's annual renewal of the agreement was due to Cohen's dominance over EZCORP's management. When, in May 2014, EZCORP's management attempted to exert independence and provide shareholders value by canceling the agreement, Cohen retaliated swiftly by amending the Company's by-laws, firing three members of the Board and installing a Madison Park consultant as Chairman of the Board. Cohen's unprecedented actions sent EZCORP's shares tumbling amidst what analysts described as a "purge" made in "retaliation."

3. Investors also discovered during and after the Class Period that two of Cohen's and Madison Park's recommended investments − an acquisition of stock in Albemarle & Bond ("A&B"), the United Kingdom's largest pawnbroker, and an acquisition of Cash Genie, a top ten online lender in the U.K. − were at the center of other material misstatements and omissions.

Throughout the Class Period, Defendants repeatedly told investors that in the heavily regulated industry of payday lending, Cash Genie stood out as an exemplary practitioner of industry "best practices." For instance, immediately following EZCORP's acquisition of Cash Genie, Defendants repeatedly distinguished Cash Genie from the "bad actors" in the payday lending industry, claiming − falsely − that EZCORP and Cash Genie "don't engage in those practices." As regulators in the U.S., Canada, and the U.K. focused increasingly on the rampant misconduct and abusive consumer-lending practices plaguing the industry, Defendants assured investors that they welcomed the new regulatory scrutiny because, unlike their competitors, they already were complying with the "best practices."

4. These statements were false. In truth, and as Defendants have now admitted, EZCORP and Cash Genie engaged in precisely the same misconduct and abusive practices on which regulators were focused. Numerous former employees who worked at various positions throughout the Company uniformly confirm that Cash Genie consistently engaged in abusive lending practices throughout the Class Period. These former employees detail that when loans came due, the Company consistently "rolled" loans over, meaning that the Company charged the customers additional interest at Cash Genie's exorbitant rates. This practice was so rampant it was internally known as "gold," allowing the Company to make "triple what the loan was worth." Contrary to industry "best practices," Cash Genie put no limits on how many times a loan could be rolled over, with one former employee recalling a loan that was rolled over 31 times.

5. In addition to the improper "rolling over" of loans, former employees report that the Company consistently engaged in abusive "double logging," a practice of improperly obtaining and using private customer data to collect outstanding debt from that customer.

Former employees also detail the Company's practice of improperly accessing customer accounts to add unauthorized charges. Defendants have now admitted, contrary to their Class Period statements, that Cash Genie was engaging in these improper practices. Indeed, Cash Genie reported to the Financial Conduct Authority ("FCA") that these three matters raised serious concerns. Ultimately, as a result of these practices and their inability to operate under the new regulations, Defendants revealed that EZCORP's and Cash Genie's practices were so deficient that the Company was forced to shutter Cash Genie, exit the online lending business altogether, and record related charges of approximately $84 million.

6. Defendants also concealed from investors the true financial condition of EZCORP's investment in A&B. In clear violation of Generally Accepted Accounting Principles ("GAAP"), EZCORP's financial statements repeatedly inflated the value of EZCORP's investment in A&B by failing to take timely impairment charges. For example, EZCORP knew of events (negative announcements from A&B which caused an immediate and precipitous decline in the value of A&B stock) requiring a further review of EZCORP's balance sheet for the March 31, 2013 quarter. In violation of GAAP, EZCORP neither disclosed the announcement to its investors, nor conducted a further review of its own balance sheet, failing to take an impairment charge that was required at that time. Ultimately, EZCORP was forced to write off the entire A&B investment to zero. In sum, these misrepresentations and omissions allowed the Company to paint a misleading picture of its true financial condition, which led directly to artificial inflation of the Company's stock price during the Class Period.

7. The full truth about EZCORP's improper and unlawful lending practices, one-sided relationship with Madison Park, improper accounting, and ineffective internal controls was revealed to investors in a series of partial corrective disclosures beginning on November 6, 2012,

and ending on October 6, 2014. The price of the Company's stock dropped significantly on each of these disclosures. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's common stock, Lead Plaintiff and other Class members suffered significant damages.

8. Less than three weeks after the conclusion of the Class Period, the SEC informed EZCORP that it had launched an investigation into EZCORP's activities. Specifically, and as disclosed by EZCORP, the SEC issued subpoenas and requested all materials of the EZCORP Board of Directors from throughout the Class Period, as well as "all documents and communications relating to [EZCORP's] historical advisory services relationship with Madison Park . . . [and] a business advisory firm owned by Lachlan P. Given," the EZCORP Board Chairman whom Cohen installed in July 2014. As of the date of this Complaint, the SEC's investigation remains ongoing.

II. JURISDICTION AND VENUE

9. The claims asserted arise under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1337, and Section 27 of the Exchange Act. Venue is proper pursuant to Section 27 of the Exchange Act and 28 U.S.C. § 1391(b). Certain Defendants reside or maintain an address in this District, false statements were made or prepared in this District, and acts giving rise to the violations complained of herein occurred in this District.

10. Specifically, as alleged more fully below, MS Pawn Limited Partnership is the beneficial owner of all outstanding shares of EZCORP's Class B Voting Common Stock. Cohen is the sole owner of MS Pawn and thus is the sole voting shareholder of EZCORP. As a result of his equity ownership stake, Cohen controls the outcome of all Company issues requiring a vote

of stockholders and has the ability to control the Company's policies and operations. Cohen resides in this District and MS Pawn's business address is in this District.

11. In connection with the acts alleged in this Complaint, Defendants directly or indirectly used the means and instrumentalities of interstate commerce, including without limitation the mails, interstate telephone communications, and the facilities of the national securities exchanges.

III. PARTIES

12. Lead Plaintiff Automotive Machinists Pension Trust ("Automotive Machinists") is a qualified Taft-Hartley defined-benefit plan that provides retirement benefits to participants in the plan. As set forth in its certification previously filed with the Court, Lead Plaintiff purchased EZCORP common stock during the Class Period, and was damaged thereby. By Order dated January 26, 2015, the Court appointed Automotive Machinists as Lead Plaintiff.

13. Defendant EZCORP is a Delaware Corporation with its principal executive offices located at 1901 Capital Parkway, Austin, Texas. EZCORP is an owner and operator of pawn shops and a provider of payday and other short-term consumer loans and similar financial products to so-called "unbanked" and "under-banked" consumers. Formed with 16 pawn shops in 1989, EZCORP and its subsidiaries now operate in over 1,300 locations in the U.S., Canada, Mexico and the U.K. EZCORP's Class A Non-Voting Common Stock is publicly traded on the NASDAQ Global Select Market under the symbol "EZPW."

14. Defendant Paul E. Rothamel ("Rothamel") was, at relevant times, CEO and a director of EZCORP.

(a) During the Class Period, Defendant Rothamel made materially false statements and omissions in EZCORP's public filings, during conference calls, and at investor presentations about the Company's compliance with laws governing its business, the nature of its

consulting relationship with Cohen and Madison Park, the adequacy of its internal controls, and the accounting for its investment in A&B;

(b) Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ("SOX"), Defendant Rothamel executed certifications in conjunction with EZCORP's false and misleading annual reports on Forms 10-K for the fiscal years 2012 and 2013. Defendant Rothamel also executed Section 302 certifications in conjunction with EZCORP's false and misleading quarterly reports filed throughout the Class Period on Forms 10-Q;

(c) Pursuant to Section 906 of SOX, and in accordance with Sections 13 and 15(d) of the Exchange Act, Defendant Rothamel signed and certified EZCORP's false and misleading annual reports on Forms 10-K during the Class Period for the fiscal years 2012 and 2013. Defendant Rothamel also executed Section 906 certifications in conjunction with EZCORP's false and misleading quarterly reports filed throughout the Class Period on Forms 10-Q; and

(d) Defendant Rothamel directly participated in the management and day-to-day operations of the Company and had actual knowledge of confidential proprietary information concerning the Company and its business, operations, regulatory compliance, growth, financial statements and financial condition. Because of this position of control and authority, his ability to exercise power and influence over EZCORP's conduct and his access to material inside information about EZCORP during the Class Period, Defendant Rothamel, at the time of the wrongs alleged herein, was a controlling person within the meaning of Section 20(a) of the Exchange Act.

15. Defendant Mark E. Kuchenrither ("Kuchenrither") was, at various relevant times, Chief Financial Officer ("CFO") or interim CEO of EZCORP.

(a) During the Class Period, Defendant Kuchenrither made materially false statements and omissions in EZCORP's public filings, during conference calls, and at investor presentations about the Company's compliance with laws governing its business, the nature of its consulting relationship with Cohen and Madison Park, the adequacy of its internal controls, and the accounting for its investment in A&B;

(b) Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ("SOX"), Defendant Kuchenrither executed certifications in conjunction with EZCORP's false and misleading annual reports on Forms 10-K for the fiscal years 2012 and 2013. Defendant Kuchenrither also executed Section 302 certifications in conjunction with EZCORP's false and misleading quarterly reports filed throughout the Class Period on Forms 10-Q;

(c) Pursuant to Section 906 of SOX, and in accordance with Sections 13 and 15(d) of the Exchange Act, Defendant Kuchenrither signed and certified EZCORP's false and misleading annual reports on Forms 10-K during the Class Period for the fiscal years 2012 and 2013. Defendant Kuchenrither also executed Section 906 certifications in conjunction with EZCORP's false and misleading quarterly reports filed throughout the Class Period on Forms 10-Q; and

(d) Defendant Kuchenrither directly participated in the management and day-to-day operations of the Company and had actual knowledge of confidential proprietary information concerning the Company and its business, operations, regulatory compliance, growth, financial statements and financial condition. Because of this position of control and authority, his ability to exercise power and influence over EZCORP's conduct and his access to material inside information about EZCORP during the Class Period, Defendant Kuchenrither, at

the time of the wrongs alleged herein, was a controlling person within the meaning of Section 20(a) of the Exchange Act.

16. MS Pawn Limited Partnership ("MS Pawn") is the sole "voting shareholder" and beneficial owner of 100% of EZCORP's outstanding Class B Voting Common Stock. MS Pawn has an address at 1633 Broadway, New York, New York 10019.

17. Phillip Ean Cohen ("Cohen"), an investment banker and private equity investor, is the owner of all of the issued and outstanding stock of MS Pawn Corporation, the sole general partner of MS Pawn, and is the beneficial owner of all outstanding shares of EZCORP's Class B Voting Common Stock. Cohen resides in New York, New York. According to EZCORP's Form 10-K for fiscal year ending September 30, 2013, as a result of his equity ownership stake, Cohen controls the outcome of all issues requiring a vote of stockholders and has the ability to control the Company's policies and operations. Exercising that power and ability, Cohen directly participated in the management and day-to-day operations of the Company and had actual knowledge of confidential proprietary information concerning the Company and its business, operations, growth, financial statements, regulatory compliance, and financial condition. Because of this position of control and authority, his ability to exercise power and influence with respect to EZCORP's course of conduct and his access to material inside information about EZCORP during the Class Period, Defendant Cohen, at the time of the wrongs alleged herein, was a controlling person within the meaning of Section 20(a) of the Exchange Act.

IV. CONFIDENTIAL WITNESSES

18. As noted above, Lead Counsel's investigation included interviews with dozens of former EZCORP and Cash Genie employees whose job titles and responsibilities placed them in positions to know the facts and information alleged herein. For ease of reference, the following

provides a description of the job titles, responsibilities, and dates of employment of each Confidential Witnesses.

19. CW1 was an Internal Audit Manager at EZCORP from May 2009 until February 2014. CW1 personally audited payday loan stores to make sure they were complying with regulations, that their loan documents were in order, and that no fraudulent activities were occurring. CW1 managed a team of auditors and would have frequent meetings with regional directors to share and discuss the findings of their Audit Reports. CW1 reported directly to the Director of Internal Audit.

20. CW2 was an account manager at Carter Forbes in 2012. Carter Forbes was the collections arm of Cash Genie. CW2's primary responsibility was to collect from Cash Genie customers that were in arrears. CW2 personally witnessed many of the lending and collection practices described below.

21. CW3 was an account manager at Cash Genie from January 2013 to December 2013. CW3 reported to the Collections Manager and Head of Collections. CW3's primary responsibility was to call customers and try to collect unpaid debts. CW3 personally witnessed or participated in many of the lending and collection practices described below.

22. CW4 held several positions at Cash Genie, including finance manager, between September 2011 and June 2013, and again between September 2013 and March 2014. Among other things, CW4 worked on SOX compliance, financial reporting, and collections. CW4 interacted regularly with EZCORP's Chief Auditor, who oversaw a 60-person audit department. CW4 regularly received, had access to, and saw reports and other documents from which CW4 gained personal knowledge of the lending and collection practices described below.

23. CW5 was an operations manager at EZCORP from August 2010 to December 2013. CW5 was responsible for the payday loan side and worked in the field as well in the corporate office to help run 500 stores. CW5 worked "side by side" with EZCORP's Vice-President of Operations and reported directly to the Director of Operations.

24. CW6 was the Director of Financial Services – Audit from November 2001 to March 2014. CW6 reported directly to the Chief Auditor, and oversaw a team of seven auditors whose jobs were to audit the payday and installment loan business for compliance and internal fraud. CW6 and CW6's audit team regularly prepared, received, and reviewed reports and other documents concerning many of the practices alleged below.

25. CW7 was an EZCORP internal auditor from October 2009 to February 2014. CW7 was responsible for internal auditing of both the pawn and payday lending businesses. CW7 also worked on SOX compliance and business operational processes for the U.S., Mexico, and the U.K. CW7 reported directly to the Chief Auditor.

26. CW8 was the Interim Finance Vice President of Cash Genie from December 2013 to May 2014. CW8 reported directly to Cash Genie's interim CEO. When CW8 joined Cash Genie, the Company was working on SOX compliance for 2014 and trying to fix control gaps and other issues that previous SOX audits had identified. CW8 had regular interaction with the Chief Auditor and the audit team, and received detailed audit plans or reports that listed all of the issues identified during audits. These reports contained information on potential risks by business lines, and were distributed to EZCORP's Chief Accounting Officer and Controller in the Company's headquarters in Austin, Texas, who passed them on to Kuchenrither.

27. CW9 was an accounts manager with Cash Genie from December 2010 to November 2013. CW9's principal responsibility was to collect debts from customers. CW9 witnessed many of the practices alleged below.

28. CW10 was the Vice President of Product and Merchandising for U.S. Pawn & Jewelry from November 2012 to November 2013. CW10 attended meetings where the due diligence that EZCORP performed before acquiring Cash Genie was discussed.

29. CW11 was a Senior Financial Analyst with EZCORP from May 2012 until May 2014. From May 2014 until December 2014, CW11 was Manager of Strategy and Operation Analytics. In both roles CW11 was responsible for financial analysis at the store level, including budgeting and daily reporting of loan, customer, and product balances. CW11 and CW11's team analyzed what impact new regulations on payday lenders would have on EZCORP's financial performance.

30. CW12 was a Senior Financial Analyst with EZCORP from February 2014 to November 2014, and whose responsibilities included analyzing the impact that new lending regulations would have on EZCORP's business.

31. CW13 worked in several positions while employed with EZCORP between September 2010 and March 2014, most recently as the Vice President of Operations. In this role, CW13 primarily was responsible for operational oversight of newly acquired and existing business lines both internationally and domestically.

32. CW14 held many positions at EZCORP over 20 years at the Company, most recently as Director of Internal Audit, before leaving the Company in March 2014. CW14 reported directly to the Chief Auditor.

V. BACKGROUND AND NATURE OF THE FRAUD

A. Overview Of The Company

33. EZCORP, based in Austin, Texas, is an owner and operator of pawn shops and a provider of payday and other short-term consumer loans and similar financial products to so-called "unbanked" and "under-banked" consumers. EZCORP and its subsidiaries operate in over 1,300 locations in the U.S., Canada, Mexico and the U.K.

34. EZCORP described itself as a "worldwide leader in delivering instant cash solutions to customers through a wide variety of channels, products, services, and markets." The Company offered its customers access to "instant cash" through four primary channels: (1) in-store, (2) online, (3) worksite, and (4) mobile platforms. The Company offered both traditional pawn loans (secured by customer merchandise pledged as collateral by the borrower) and high-cost, short-term, unsecured loans commonly known as "payday" loans.

B. EZCORP's Stock Structure

35. EZCORP has two types of stock: Class A Non-Voting Common Stock and Class B Voting Common Stock. The Company's Class A Non-Voting Common Stock is publicly traded on the NASDAQ Global Select Market under the symbol "EZPW." EZCORP's Class B Voting Common Stock is not publicly traded, and all outstanding shares of Class B Voting Common Stock were held by a single stockholder throughout the Class Period: Defendant MS Pawn. Defendant Cohen was the owner of all of the issued and outstanding stock of MS Pawn. Throughout the Class Period, Cohen was the sole voting shareholder of EZCORP and directly participated in the management and day-to-day operations of the Company. EZCORP disclosed in its SEC filings that Cohen "has the ability to control our policies and operations."

C. EZCORP's Relationship With Madison Park

36. From 2004 to mid-2014, EZCORP had a consulting agreement with Madison Park, an entity wholly-owned by Cohen. EZCORP paid Madison Park millions of dollars per year, ostensibly for providing strategic advisory services to the Company. According to EZCORP's SEC filings, Madison Park purportedly provided advisory services relating to, among other things, identifying, evaluating and negotiating potential acquisitions and strategic alliances, and advising on investor relations and relations with investment bankers, securities analysts and other members of the financial services industry. For these services, EZCORP paid Madison Park $4.8 million in fiscal 2011, $6 million in fiscal 2012, $7.2 million in fiscal 2013, and at a rate of $7.2 million per year until the contract's cancellation in mid-2014. In all, Madison Park (and its sole owner, Cohen) received over $34 million through these contracts with EZCORP.

37. Prior to approving the contract with Madison Park, the Audit Committee of the EZCORP Board of Directors purportedly "implemented measures designed to ensure that the…engagement was considered, analyzed, negotiated and approved objectively." Defendants repeatedly told investors that the consulting relationship with Madison Park was essential to EZCORP's growth and diversification. Each time the contract was renewed – or every year for roughly a decade – the Board agreed to extend the engagement, concluding that it was "fair to, and in the best interests of, the company and its stockholders."

38. In truth, and as revealed during the Class Period, the Madison Park agreement was not independently or objectively evaluated by the Board of Directors. Cohen used Madison Park to get cash out of EZCORP on a yearly basis. As CW10 stated, the Madison Park agreement was "the way [Cohen] gets his money out of the Company" as Cohen simply "determined that his company would be a consultant and charge a certain rate."

D. EZCORP's Ambitious Growth Strategy

39. By the start of the Class Period, EZCORP had an ambitious growth strategy directed by Cohen. The growth strategy involved expanding the Company's pawn and payday-lending operations in the U.S., Mexico, Canada, and the U.K. According to CW13, Cohen "was extremely obsessed with international acquisitions," and was behind the push to acquire other businesses so quickly. Leading up to and during the Class Period, EZCORP acquired strings of pawn stores and interests in payday lenders around the world. Much of the expansion was overseen by an EZCORP division known as Change Capital. EZCORP's CFO, Defendant Kuchenrither, was at all relevant times the President of Change Capital.

40. The Company's expansion into the U.K. came during a time of intense regulator focus on payday lenders. On April 19, 2012, the first day of the Class Period, EZCORP announced that it had acquired 72% of the shares of Ariste Holding Limited, which operated under the name "Cash Genie." Cash Genie was one of the top 10 online lenders in the U.K. The Cash Genie acquisition expanded the Company's existing U.K. operations, which included the Company's 30% investment in A&B, and its 33% stake in Cash Converters International Limited ("Cash Converters"), an Australian-based consumer lender with significant operations in the U.K. The Company promised that Cash Genie would deliver between $5.5 and $6 million in profits per year and, within a year, represent a significant portion of the Company's total loan portfolio.

41. Defendants repeatedly told investors that the Company closely tracked regulatory developments impacting the consumer lending businesses in the U.K., and that the Company and its subsidiaries – including Cash Genie – complied with all relevant regulations. Indeed, Company executives claimed that stricter regulations and stronger enforcement would actually

benefit EZCORP – which they distinguished from the "bad players" that engaged in "bad behavior" and other "cowboy stuff" that should be "regulated out."

42. For example, Rothamel assured investors on an April 19, 2012 conference call that, following the Company's due diligence of Cash Genie, the Company had determined that Cash Genie had strong compliance practices and culture. Rothamel assured investors that the increased regulatory focus on payday lending, especially the OFT's crackdown on lenders rolling over payday loans, would not have any adverse impact on the Company because Cash Genie did not engage in any unfair or misleading practices. He stated:

> Cash Genie is regarded very highly in the market place over there [in the U.K.] **[b]ecause obviously they don't engage in those practice[s] and we don't either.**

43. In truth, and as detailed below and corroborated by numerous former employees, EZCORP and Cash Genie engaged in the very same deceitful and abusive lending and collection practices that were causing regulators in the U.S. and U.K. to crack down on payday lenders.

E. Overview Of Industry Best Practices And Regulations Governing Cash Genie

44. During the Class Period, Cash Genie and other payday lenders in the U.K. were regulated by the OFT, and governed by the Consumer Credit Act of 1974 and the OFT's guidance on irresponsible lending. Among other things, the Consumer Credit Act required all consumer credit businesses, including payday lenders, to hold a consumer credit license issued by the OFT. The Act imposed on the OFT the duty to take steps to determine that licenses were given to, and retained by, only those lenders fit to hold them. In determining whether a lender was fit to obtain – or retain – a license, the OFT considered, among other things, whether the licensee or its employees had "engaged in business practices appearing to the OFT to be deceitful, oppressive, or otherwise unfair or improper, whether unlawful or not." Section 25(2B)

of the Consumer Credit Act made explicit that practices that involved "irresponsible lending" under the OFT's published guidance constituted "deceitful, oppressive, or otherwise unfair or improper" practices.

45. "Irresponsible lending" practices were set forth in a publication entitled *Irresponsible lending − OFT guidance for creditors.* Those practices included:

- Targeting borrowers with credit products that were unsuitable for them or subjecting them to high pressure selling, aggressive or oppressive behavior, or conduct that is deceitful, oppressive, unfair or improper;
- Failing to establish and implement clear and effective policies and procedures for the reasonable assessment of affordability;
- Failing to undertake a reasonable assessment of affordability to determine whether the borrow would be able to repay the loan in a sustainable manner, *i.e.*, without undue difficulty, without incurring or increasing problem indebtedness, and without having to borrow further to repay the loan;
- Extending credit without having undertaken any assessment of affordability;
- Extending credit when the lender knew, or reasonably ought to have suspected, that the credit was likely to be unsustainable; and
- Repeatedly rolling over a borrower's existing short-term loan in a way that was unsustainable or otherwise harmful.

46. In addition, during the Class Period Cash Genie represented itself as a member of the Consumer Credit Trade Association, which published a "Good Practice Customer Charter and Addendum" (the "Charter"). Cash Genie's website stated during the Class Period that "As a

member of the CCTA we have adopted a Good Practice Customer Charter & Addendum which highlights industry standards for [customers'] protection." The Good Practice Customer Charter was published on July 25, 2014. The Charter's industry standards, available through a link on Cash Genie's website, required Cash Genie to:

- "Only consider extending ('rolling over') the term of your loan if you ask us to and after we have reminded you of the risks of extending a short-term loan. If you are in financial difficulties, you should let us know as soon as possible and we can explore new arrangements with you for paying off your debt.";
- "Carry out a sound, proper and appropriate affordability assessment before the term of the loan is extended";
- "Tell you if we have a limit on the number of times your loan might be extended"; and
- "Act fairly, reasonably, and responsibly in all our dealings with you."

47. The Good Practice Customer Charter and Addendum also stated that further information regarding Cash Genie's "protections for customers" was available on the website of the Consumer Finance Association. The Consumer Finance Association ("CFA") is a trade association that represented the interests of payday lenders in the U.K. and that published its own "Lending Code for Small Cash Advances" (the "Code"). Defendants were keenly aware of the Code, not only because it was referenced on Cash Genie's own website, but also as Cash Converters and A&B were members and "Council Directors" of the CFA. According to the CFA, the purpose of the Code was to set "minimum standards" in order to protect and benefit consumers. Among other things, the CFA's Code required lenders to:

- "Not misrepresent facts to a customer concerning any aspect of a credit transaction";
- "Respect confidential information supplied to them in the course of their business";
- "Provide adequate training" for those performing any lending duties, "bringing this Code and the principles contained in it to their attention and requiring them to carry out their duties in accordance with it";
- "Ensure fairness in all dealings with customers including, but not limited to, their dealings with customers both before and after the making of [a loan] agreement and the manner in which those agreements are enforced";
- "Not operate automatic extensions" or rollovers of loans, but instead "discuss the options available with the customer and only extend repayment after express agreement with the customer";
- Not allow short-term loans to be extended or rolled over "on more than three occasions";
- "Establish and implement policies and procedures for dealing with customers whose accounts fall into arrears that are fair, clear, [and] not misleading";
- "Ensur[e] that the consumer has adequate opportunity to opt in or out of having their personal data passed to marketing companies, lead generators, brokers and others for purposes not connected with the advance made";

- "Respect personal information supplied to them by customers and shall inform customers of the purposes for which this information is intended to be used and disclosed, before it is given by the customer"; and
- "Observe a strict duty of confidentiality about their customers' (and former customers') personal financial affairs and [] not disclose details of customers' accounts" except under extremely limited circumstances.

48. Throughout the Class Period, Defendants repeatedly assured investors and analysts that EZCORP and Cash Genie complied with all applicable laws, and met or exceeded industry best practices like those embodied in the CFA's Code, the CCTA's Charter and the OFT's guidance. As alleged below − and verified by numerous former employees − those assurances were false.

49. During the Class Period, regulatory scrutiny on the U.K. payday lending steadily increased. Spurred by complaints of unscrupulous behavior, and concerned that payday lenders were making too many loans to people who couldn't afford them and then rolling those loans over when borrowers couldn't repay them, the OFT announced in February 2012 that it would inspect 50 payday lenders in the U.K. to determine whether they were complying with the Consumer Credit Act and the OFT's guidance on irresponsible lending. CW4 and CW7 both confirmed that Cash Genie was one of the 50 lenders that the OFT inspected. The investigation focused on (i) whether lenders conducted appropriate affordability checks before issuing a loan; (ii) the frequency with which lenders rolled loans over, and the hugely negative impact rollovers were having on borrowers; and (iii) other predatory lending practices.

F. The Results Of The OFT's Investigation

50. The results of the OFT's investigation, announced on March 6, 2013, confirmed "evidence of widespread irresponsible lending and failure to comply with the standards required of them." The OFT described the issues as "deep rooted" and "found evidence of problems throughout the lifecycle of payday loans, from advertising to debt collection, and across the sector, including by leading lenders that are members of established trade associations." One particular area of non-compliance included "lenders failing to conduct adequate assessments of affordability before lending or before rolling over loans," in violation of OFT guidance. Lenders over-emphasized speed and easy access to loans and relied too heavily on rolling over or refinancing loans, rather than repayment of principal. The OFT stated that these factors "distort lenders' incentives to carry out proper affordability assessments as to do so would risk losing business to competitors." The OFT explained that this originate-to-rollover model encouraged practices where "[t]oo many people are granted loans they cannot afford to repay and … payday lenders' revenues are heavily reliant on those customers who fail to repay their original loan in full on time." According to OFT Chief Executive Clive Maxwell: "Payday lenders are earning up to half their revenue not from one-off loans, but from rolled over or re-financed deals where unexpected costs can rapidly mount up."

51. Included in the OFT Report was an announcement that the OFT was requiring the 50 lenders it inspected to take immediate steps to address areas of non-compliance and to prove to the OFT that they had done so within 12 weeks. Lenders that failed to do so risked losing their license.

52. Shortly after the OFT published this report, the U.K.'s Financial Conduct Authority ("FCA") issued a press release on March 10, 2013, announcing in detail how it intended to regulate consumer lending when it took over for the OFT on April 1, 2014. In that

release, the FCA's chief executive made plain that the FCA was targeting abuses (like frequent rollovers) in payday lending: "This type of credit must only be offered to those that can afford it and payday lenders must not be allowed to drain money from a borrower's account. That is why we're imposing tighter affordability checks, and limiting the use of rollovers and continuous payment authorities." He then issued a dire warning to payday lenders:

> **Today I'm putting payday lenders on notice: tougher regulation is coming and I expect them all to make changes so that consumers get a fair outcome. The clock is ticking.**

53. The key elements of the new regulatory regime would be mandatory affordability checks to ensure that only consumers that could afford a loan got a loan, limiting rollovers to two, and limiting the use of Continuing Payment Authorizations ("CPAs"). The release announced further that the FCA would be publishing proposed rules and findings by December 2013, invited all "interested parties" to provide feedback to the FCA on the proposals, and would be publishing final rules by February 2014 (which would become effective on April 1, 2014).

54. In October 2013, the FCA published its "Detailed Proposals" for new rules governing payday lending. In the foreword to the proposals, the FCA expressed its desire to "stop payday loans [from] spiraling endlessly by capping the number of times they can be rolled over to two." The FCA also explained the abuses inherent in payday lenders' use of CPAs, noting that "[m]any lenders don't have the incentive to carry out robust affordability assessments because they are given unrestricted access to borrowers' accounts through 'continuous payment authorities.' We propose restricting the use of this kind of payment to two, forcing firms to make better lending decisions."

55. Among the many new rules, ones most significant to EZCORP and Cash Genie were formal limits on rollovers and CPAs. The new rules prohibited payday lenders from rolling over or refinancing loans more than twice, prevented them from charging a customer's credit

card, bank account, or other customer payment account for an amount less than the full amount owing, and prevented them from charging a customer's credit card, bank account, or other customer payment account after two unsuccessful attempts to collect.

56. The FCA explained that these caps on rollovers and CPAs would address, among other ills, the all-too-common practice of payday lenders structuring their business model "in a way that relies on loans being rolled over, or default charges being added, and not on the borrower's ability to repay on time."

57. The FCA published in February 2014 its final rules governing payday lenders in the U.K., and announced that the new rules limiting rollovers and CPAs would become effective on July 1, 2014.

G. EZCORP Engaged In Predatory Lending Practices Throughout The Class Period

58. Even after the FCA finalized these new regulations, Defendants continued to assure investors and analysts that the new regulations would actually benefit EZCORP and Cash Genie. Rothamel, for example, promised investors on an April 29, 2014 earnings call that Cash Genie would thrive under the new regulations because the Company already was meeting or exceeding "industry best practices."

59. In reality, and as Defendants knew, the Company was not meeting industry best practices, was in danger of losing its license, and would have to change its entire business model to comply with the new regulations. Numerous former employees confirm that Cash Genie regularly engaged in the same practices that the FCA was targeting, and many other illegal and unethical lending and collection practices.

1. Excessive Rollovers

60. Throughout the Class Period, EZCORP and Cash Genie engaged in rollovers to boost their profitability. When the Company rolled a loan over, it would charge the customer's debit or credit card for only the interest due and then roll over the balance, leading to additional interest charges. Rolling loans over was extremely profitable because it increased dramatically the interest the borrower paid without reducing the principal owed. CW4, a former finance manager at Cash Genie, explained how this worked in practice.

61. If someone took out a $100 loan, by the time it was due, the customer would owe $130. Rather than the Company taking $130 from the card it had on file, it would only charge the $30 interest payment so the customer was responsible for initiating the $100 payback. If the customer did not pay back the $100, the $100 loan would rollover and the Company would continue to deduct the $30 interest payments each month. CW4 recalled an account that was rolled over 31 times, resulting in the customer being charged $930 interest on a $100 loan. Cash Genie frequently rolled loans over without customer approval, often without the customer even knowing that the loan was being rolled over.

62. CW3 also stated that Cash Genie continuously rolled over accounts for indefinite periods of time, recalling one account that was rolled over for 15 months: "They'd be paying interest and at the end of the day, they still owed $130." CW3 said that sometimes the Company would have collected so much interest from rolling over the loan that it would tell the customer that he or she had satisfied the loan and cancel the debt. This was done "completely [at] random."

63. CW2 left the Company shortly after starting because of these methods. CW2 was "shocked" at the interest being charged to customers. "People only borrowed 150 pounds and it would be up to 1000 pounds [with interest]." "Rollovers to us were like gold," explains CW9,

noting that rolling loans over, often without the customer's consent, allowed Cash Genie to "make triple what the loan was worth." CW9 confirms further that the customer typically was never provided any indication that the loan was being rolled over, and that "managers and certain higher authority gave employees the authorization" to roll over loans indefinitely because it allowed the Company to make more money. According to CW9, employees were incentivized to roll over accounts indefinitely because it allowed them to earn higher commissions, which were based on a percentage value of the loan.

64. CW4 explained steps the Company took to make the loan book appear bigger than it was and to hide the rising level of defaulting loans. According to CW4, in April 2013 "[s]omething got done on the system that brought a lot of old debt back into current [assets]," which was "against the law and their agreements." From 2009 to 2011 loans were switched to rollovers, but the customers paid no interest. By law, a loan could only be rolled over if the customer paid interest. If not, the loan is technically in default. Instead of putting the account in default, the Company rolled them over. Doing so inflated the assets on the Company's balance sheet.

65. Managers sent employees e-mail instructions on when to roll over an account. CW3 stated that Cash Genie's CEO and Financial Director were aware of the excessive rollovers: "Without a doubt – every single thing that we did was recorded and the people in charge could see everything that [went] on." According to CW3, there was no process in place to determine if or when a loan was rolled over, it was "just totally random" and could be done "anytime [anyone] felt like it." CW3 recalled e-mails from managers asking the employee to call a customer to see if they could pay 20 GBP to roll the loan over. CW3 confirmed that Cash

Genie would roll over loans without telling the customer: "A lot of people would do it without contacting the person."

66. CW8 confirmed that the new limits on rollovers and CPAs would have a disastrous impact on Cash Genie's business: "It's pretty tough when they limit how much [interest] you can charge and how much you can rollover."

2. Double Logging

67. Cash Genie routinely obtained private customer information surreptitiously and then used that information improperly to roll loans over or collect outstanding debts. CW9, for example, explained that this practice, known as "double logging," was pervasive at Cash Genie. According to CW9, employees would call customers pretending to be other lenders in an effort to obtain new credit card information. Cash Genie would then charge that new credit card to collect the outstanding debt. CW9 said this practice was still going on when CW9 left the Company in November 2013. CW9 confirmed that Cash Genie's management was "fully aware" that double logging was occurring and that the practice was "most definitely illegal." CW9 understood that Cash Genie was "bending the rules and making more money."

68. Double logging was going on at Cash Genie before EZCORP acquired Cash Genie, according to CW4, and was still going on when CW4 left the Company in late 2013. CW4 described the practice as "very dodgy," and confirmed that the Company would have to stop doing it under the new regulations. CW4 explained the double logging practice, stating that a lot of customers would cancel the credit or debit cards tied to their loans in order to avoid repayment. Cash Genie operated seven online lending companies such as Text Me Cash and Paydays Every Day. When people applied for loans online they didn't necessarily know which lender would provide them the money. For example, if a Cash Genie customer applied to Text Me Cash for a new loan and entered new credit card information, Cash Genie would use the new

card details to collect the old debt. This violated both the consumer's loan agreement and industry standards. CW4 said that Cash Genie received numerous complaints when customers realized what was happening. CW4 confirmed that Cash Genie's founder and CEO not only was aware of this practice, but authorized it.

69. According to CW2, employees met each morning to discuss the best ways to get people to pay back their loans. CW2 said the targets management set for getting people into these payback programs "were absolutely impossible to reach," and that the only way to do it was to "***get people's cards***," i.e., engage in double logging. According to CW2, Cash Genie account managers would pass along card details they obtained from double logging to try the numbers and make sure they worked. CW2 also disclosed that debt collectors were instructed to lie to customers. For example, even though Carter Forbes was owned and operated by Cash Genie, employees were instructed to contact customers as though they were from an outside collections agency. Lying to customers in this way violated numerous "industry best practices," including the OFT's guidance on irresponsible lending, several FCA regulations governing payday lenders, the CCTA Charter and the CFA Code of Practices.

70. CW3 corroborated the Company's practice of double logging to collect old debts by phishing for new credit card information. Cash Genie employees would call customers saying they were from a different company (which, unbeknownst to the customer, was affiliated with Cash Genie), and tell them that they had been pre-approved for a loan. The employee would then ask if the customer wished to go through the application process for the loan. If they agreed, the employee would take the details from the customer, including new credit card information. Cash Genie used this new credit card information to collect existing loans from the customer without their consent. CW3 said that one colleague did double loggings all day long.

71. CW8 confirmed that while double logging was common in the industry, Cash Genie "shouldn't have done it," and attributed the practice to lack of operational controls. When asked if Kuchenrither and Rothamel were aware they were going to have to make changes to accommodate the new FCA regulations, CW8 responded, "[o]f course." When asked how they were made aware, CW8 said that information was passed along through Change Capital about the middle of 2013, the year after Internal Audit came in. "I'm sure [the Chief Auditor] would have told Mark [Kuchenrither]," he added. When asked if Rothamel and Kuchenrither knew about the rollover practices and double logging, CW8 responded, "[t]hey knew about them – everything was visible to EZCORP" because "they had their own people in place running things."

3. Improperly Accessing Customer Accounts To Add Unauthorized Charges

72. Cash Genie also accessed customer accounts improperly and added unauthorized charges to those accounts. CW4 regularly received a "dump" of who had access to customer accounts and noticed that account managers in the collections department improperly had access. According to CW4, "[o]n the last day of the month it was no holds barred with regard to access – people were given carte blanche," with "people adding fees without contacting [customers] and rolling over without contacting [customers]." CW4 communicated these issues to EZCORP's Chief Auditor.

73. CW3 confirmed unauthorized charges were being placed on customer accounts, saying "[I] had the power to add interest and other charges to people's accounts. I could add five months of interest if I wanted to . . . there was no oversight." CW3 said this was done at the direction of his manager, but that the "[Founder and CEO of Cash Genie] definitely knew about it. He knew about everything and turned a blind eye." CW3 said that when colleagues were

struggling to hit their numbers and earn commissions, they would work up how many months were overdue and then add extra money to the customer account. CW3 believed that EZCORP must have known about this because "they came in and did a full audit of everything and sacked ten people." CW3 said that many employees had "Super Admin" access to the Company's computer system, which should only have been given to management. Super Admin access allowed employees to amend customer accounts without any approval or oversight. According to CW3, collections managers gave colleagues Super Admin access as a matter of course. CW3 said these additional charges were being added to customer accounts every day. CW3 stated EZCORP never cleaned up these improper practices while CW3 was employed with the Company.

74. CW4 questioned how robust Cash Genie's affordability assessments were given how high the default rates were. CW4 heard from others that if a store needed to make more loans to meet its quota, it would lower the criteria. CW4 understood that "[w]hen the FCA came in there was no way they could have continued [that practice.] It would not have met FCA standards."

VI. DEFENDANTS' FALSE AND MISLEADING STATEMENTS AND OMISSIONS OF MATERIAL FACTS

75. During the Class Period, in regular press releases, conference calls, and filings with the SEC, Defendants repeatedly made materially false and misleading statements and omissions concerning: (i) the value and operations of Cash Genie, as well as the Company's purportedly strict adherence to and compliance with relevant laws and industry standards governing consumer lending; (ii) the nature of the Company's relationships with Cohen and Madison Park; and (iii) the Company's accounting of its investment in the U.K.'s largest pawnbroker, A&B. These false and misleading statements and omissions misled investors

regarding the Company's internal controls, its ability to manage its affairs independently as well the current and future value of the Company, including the value of the Company's investments in Cash Genie and A&B.

A. False Statements Concerning Cash Genie's Purported Compliance With The Law And Industry Best Practices

76. Throughout the Class Period, Defendants repeatedly reassured investors regarding the soundness and value of EZCORP's investment in Cash Genie by stating not only that Cash Genie was in compliance with governing regulatory standards, but also that its payday loan practices complied with industry best practices. According to Defendants, because of Cash Genie's unusually dutiful compliance with increasingly restrictive regulations and detailed best practice standards, Cash Genie and EZCORP would in fact ***benefit*** from stricter regulation on the U.K. payday loan industry while competitors who did not follow Cash Genie's praiseworthy practices would falter. Defendants continued their omissions and misstatements of Cash Genie's abusive practices even after regulators announced new criticisms of payday lenders, increased regulatory oversight, and new regulations that Cash Genie was violating. Defendants' misstatements and omissions similarly continued after the U.K. Consumer Finance Association announced new, strict standards of "best practices" that Cash Genie also failed to meet.

77. On April 19, 2012, the first day of the Class Period, EZCORP announced that it had completed its acquisition of 72% of Cash Genie, one of the top 10 online lenders in the U.K.[1] According to the Company's 8-K filed with the SEC that day, EZCORP's investment in Cash Genie "significantly accelerates EZCORP's online strategy in the U.K." On a conference call with investors on April 19, Defendant Rothamel stated that Cash Genie was EZCORP's "key

[1] The Company later reported that the precise date of its acquisition of 72% of Cash Genie was April 14, 2012. EZCORP acquired an additional 23% in October 2012 and the remaining 5% in August 2013.

strategic partner" and that the Company's due diligence on Cash Genie revealed several particularly impressive aspects of the business:

> Cash Genie was very attractive to us for a variety of reasons. First and foremost we were impressed with their leadership and very talented team all of whom are in-house employees not outsourced. They also have significant size and scale compared to most in the market, and have a technology platform that is top tier in the space. More importantly we believe the talent, technology, and brand can grow rapidly inside the U.K. and in other countries possibly even the United States.

78. According to Defendants, Cash Genie was an "innovative, fast growth, high sustained return compan[y] that will enhance our ability to deliver sustain[ed] revenue and earnings growth and enhance our ability to reach more customers in more places with more cash solutions." Defendants stated that Cash Genie would provide annual earnings of $5.5 million to $6 million beginning on October 31, 2012, and that the Company's strategic investments in the United Kingdom, including Cash Genie, were already paying off. In response to an analyst question regarding when Cash Genie would be contributing to the Company's growth, Rothamel stated that it "will be contributing immediately now . . . for the full year."

79. In response to analyst questions regarding EZCORP's due diligence of Cash Genie in light of the U.K. regulatory environment, Rothamel emphasized that EZCORP's investigation of Cash Genie had convinced EZCORP that it would thrive in the U.K. regulatory environment. One analyst asked about the Cash Genie investment in light of "the work that the office of Fair Trading is doing on rollovers and multiple accounts," querying Rothamel as to whether the Defendants "got comfortable as part of [their] due diligence." Rothamel responded that the analyst was "exactly right," stating that while the OFT is focused on unfair and deceptive practices:

> Cash Genie is regarded very highly in the market place over there. Because obviously they don't engage in those practices and we don't either. And we . . .

> welcome that kind of regulatory environment which takes up bad behavior and bad players, so we are quite confident over there.

80. On July 24, 2012, in an 8-K filed with the SEC, EZCORP stated that "Cash Genie will be accretive to earnings within its first year following acquisition." On a conference call held that same day, EZCORP executives again stressed the importance of the Cash Genie business and a driver of the Company's growth. Defendant Rothamel explained that "[w]e invested in [Cash Genie and A&B] to diversify, number one. And also because they are fast-growing companies." Defendants reported that these entities helped the Company's international segment to contribute roughly 20% to the Company's profits during the quarter, up from 9% a year earlier. Indeed, although the Company had closed its 72% acquisition in Cash Genie as recently as April 2012, Rothamel stressed that Cash Genie had already contributed significantly to the Company's results, reporting revenues of $4 million and net revenues of $2.9 million in the quarter, with the acquisition "expected to be accretive in its first full 12 months."

81. During the earnings conference call, Rothamel responded to questions from analysts regarding Cash Genie. For instance, in response to a question regarding the forthcoming CFA Code of Practice for U.K. payday lenders, Rothamel stated that he knew that the U.K. "is one of the fastest-moving markets today," and that "the rate of growth is really on the non-collateralized side," so "that's why we chose to jump in with Cash Genie, for all the reasons we've talked about before. It's a great marketplace." Rothamel also stressed specifically that the Company's and Cash Genie's business practices fully complied with relevant consumer regulations in the U.K., and that stricter enforcement of consumer protection laws would benefit the Company:

> [W]e're well aware of all the discussions around the regulatory fronts over there. And I could tell you that we're comfortable and confident that Cash Genie operates in a way that we could flexibly handle whatever regulatory changes they may or may not throw at us. And I think, frankly, as we've said here in the

> United States, over time, we think we benefit from more regulatory action. Because I think today there's over 100 online lenders in the UK. Many of them are small and many of them are not great players. They do things they shouldn't be doing. So we invite appropriate regulatory action. And through Cash Genie and through Cash Converters, particularly, we're very active on the regulatory front in the UK.

82. On November 6, 2012, the Company filed a Form 8-K with the SEC stating that the Company's acquisition of a controlling interest in Cash Genie was a "key driver" of the Company's performance, and that "Cash Genie was profitable for the year." Also on November 6, 2012, the Company held an investor conference call. Defendants made clear during the call that EZCORP's impressive results would continue to improve, as its acquisitions continued to drive revenues and profits, and as Cash Genie would "grow earnings rapidly in 2013."

83. On January 22, 2013, EZCORP held a conference call in relation to its fiscal 2013 first quarter financial results. On the call, Defendant Rothamel reaffirmed that the Company's growth strategy was working, as evidenced by the fact that "Cash Genie is into profitability this year." According to Rothamel, Cash Genie would provide between 10% to 15% of the Company's total loan balances by the end of the following year.

84. Rothamel also continued to assure investors regarding EZCORP's due diligence of Cash Genie, informing investors that EZCORP had invested in Cash Genie only after conducting a thorough review of its business. In response to an analyst's question, Rothamel explained "why [] we pick[ed] Cash Genie" by stating that EZCORP had "been working on this for over two years, and doing analysis . . . We frankly spoke directly with something in the neighborhood of over 30 online lenders in multiple countries before we made our first investment in Cash Genie." Rothamel stated that EZCORP "passed on multiple, multiple opportunities [other than Cash Genie]" but did not select those opportunities because "we didn't

think that they had the right platforms, the right team or, certainly, the right integration strategy with our storefronts." Rothamel concluded his explanation of why EZCORP picked Cash Genie by representing that "Cash Genie will throw off $2 million this year of operating income to us."

85. On April 30, 2013, EZCORP filed a Form 8-K with the SEC reporting its fiscal 2013 second quarter results and held an investor conference call. During the conference call, Rothamel stated that the Company's "investments that we have made in the last two and half years," including Cash Genie, "have positioned us to return to double-digit growth." Defendant Rothamel also addressed investor concerns regarding the Company's compliance with consumer protection regulations in general, and with respect to its Cash Genie business in particular. Defendant Rothamel emphasized that the Company was poised to take advantage of increased regulatory focus on and stricter enforcement of consumer lending laws, explaining that:

> Our efforts on the regulatory front related to pawn and financial services have been very successful across multiple local, state and federal levels. Our customers benefit from these actions every day through better transparency, flexible products and services, and a very competitive environment.

86. Furthermore, Defendant Rothamel specifically addressed Cash Genie business practices and recent developments concerning efforts by the OFT to address abuses in payroll lending. According to Rothamel, "Cash Genie's loan book is $4.8 million and is expected to continue to ramp up operating income in the back half of the year." In fact, Rothamel explicitly reassured investors that "recent OFT activity will not adversely impact the business, as Cash Genie has been following best practices guidelines for the past year."

87. On July 30, 2013, EZCORP filed a Form 8-K with the SEC announcing its fiscal 2013 third quarter earnings and held an investor conference call. On the call, Defendants told investors that Cash Genie and the Company's other online lending businesses were strong drivers of the Company's results. In response to an analyst's question, Defendant Rothamel stated that

the Cash Genie business had already "crossed over into profitability and been profitable now for us for the last six straight months" and that the Company expected it to have a "material" "positive impact during its next year." Rothamel commented specifically on the size of Cash Genie's "loan growth, and marketing, things we've done there" as reasons that Cash Genie would have "a material impact, a positive impact during its next year." The U.S. online business, Rothamel assured investors, "is tracking on the same trajectory about nine months later, which is about the time we made the purchase." Kuchenrither also responded to the analyst's question by stating that "our scorecards and our modeling allow[] us to underwrite appropriately. We've taken our time to make sure that those models are pressure tested and that's why we have accelerated the market spend on customer acquisition, because we're very confident that the underwriting is working appropriately."

88. In response to a follow-up question regarding Cash Genie's "standing with regulators," Defendant Kuchenrither reiterated that the Company – and its Cash Genie business in particular – was "one of the leaders in terms of best practices." Kuchenrither said that EZCORP had not profited as much as it otherwise would have because of efforts and investments the Company had made to ensure best practices and strengthen compliance procedures. Kuchenrither explained:

> We made that [Cash Genie] investment [in] mid-April of last year and we made a small amount of profit last fiscal year because we purposely took the time to put in best practices and implemented the best practices, which allowed us to grow a quality loan book, albeit at a slower rate than some of the competition in the U.K. And the benefit of that is when the [OFT] has become more active, the best practices that we've put in place are what the OFT is requiring from all competition in the marketplace. So the OFT actions have not impacted us at all to date…. [W]e feel very comfortable that we have – continue to be one of the leaders in terms of best practices."

89. On November 7, 2013, Defendants filed a Form 8-K with the SEC touting their "record" results and stating that Cash Genie had "performed well during the second and third

quarters of the year." Despite poor execution of an installment loan product for Cash Genie, the Company assured investors that Cash Genie was "on track to return to profitability in fiscal 2014."

90. Also on November 7, 2013, EZCORP held an investor conference call in which Defendants only partially revealed the truth behind their prior misstatements of Cash Genie's "best practices" and purported regulatory compliance. Defendants disclosed that the Company was taking a $29 million impairment charge on its A&B investment, that its earnings were negatively impacted by at least $20 million as a result of the Company's Cash Genie investment, and that in the third quarter of fiscal 2012 (April through June 2012) Cash Genie "did not operate to [OFT] best practices." Defendants also admitted that Cash Genie's new installment loan product suffered from "sub-standard execution related to underwriting and collections." However, along with these partial corrective disclosures, Defendants falsely reassured investors that the Company had already rectified the regulatory issues facing its U.K. businesses. During the November 7, 2013 earnings conference call, Rothamel claimed that EZCORP made "corrections" to Cash Genie's practices and that EZCORP had "cleaned up" Cash Genie's operations, making management changes and improvements to the "underwriting and on the collection side." He also told investors that Cash Genie would return to profitability by no later than the second quarter of the next year.

91. On January 28, 2014, EZCORP filed a Form 8-K announcing its 2014 fiscal first quarter financial results and stating that Cash Genie had "showed improved performance in the quarter" as it "narrowed its operating loss to under $2 million, a 51% improvement from the fourth quarter of fiscal 2013." In a conference call held that day, Defendants stressed that the Company had "rectified" and addressed the compliance issues and loan product problems it had

identified in its Cash Genie operations, and that the Company was poised for growth in light of the regulatory environment in the U.K. Rothamel dissembled that there were not issues with Cash Genie's present regulatory compliance, but only potential issues based on forthcoming U.K. regulations that, in any event, Cash Genie could comfortably comply with:

> [L]et me talk about the trends just for a second – if you remember from the last call, we talked a bit about that we had a good second and third quarter of last year, had a poor execution of a change in product to an installment product. We've rectified that, took our volumes down a bit. To do that, we are now growing those business[is].
>
> We, like everybody else in the U.K., is [sic] waiting for the regulatory group to come out with exactly what their requirements are. We fully expect that we, like everyone else in the marketplace, will have to alter our products in some way, shape, or form. We, today through a myriad of sources, are very active in that process with the governing body and we will see where that comes.
>
> We should know really within about 60 days exactly what that government body is looking for and then we will have, I believe, the six months to implement. We're comfortable that we can be flexible in order to do that.

92. On March 25, 2014, EZCORP held its annual shareholders meeting. The materials shown to investors during the presentation represented that Cash Genie had a "scalable, in house online platform" that could grow to have a reach across the European Union. Defendants stated that Cash Genie's "regulatory best practices create[d an] opportunity" for Cash Genie. The presentation materials also summarized EZCORP's other businesses, including Cash Converters, Emperor Facile, and Value Pawn. None of the statements in EZCORP's presentation regarding those businesses highlighted their regulatory practices.

93. On April 29, 2014, EZCORP filed a Form 8-K with the SEC announcing its 2014 fiscal second quarter financial results, stating that Cash Genie "show[ed] continued improvement" and that the Company would "spend nearly $1 million in the second half of the year in direct costs associated with the implementation of the new FCA regulations." In a

conference call held that day, Defendants again addressed several regulatory developments in the U.K. that impacted the Company's online lending businesses. Specifically, the FCA had published in February 2014 its final rules governing payday lenders in the U.K., and announced that the new rules limiting rollovers and CPAs would become effective on July 1, 2014.

94. Responding to an analyst's question concerning "the new FCA regulations" and "how you're thinking about the evolving U.K. regulatory landscape," Defendant Rothamel reassured investors that EZCORP would continue to ***benefit*** from stricter enforcement of consumer protection laws. Specifically, Rothamel stated that "while we don't have a lot at risk over there [in the U.K.] today, we think we have a lot of upside as this picture becomes clearer" with respect to the FCA's final regulations. According to Rothamel, the ultimate result of the new regulations could force competitors out of business, while "[t]hose of us that are left will grab larger market share." Rothamel reassured investors that, no matter the final form the regulations might take, Cash Genie would thrive in this environment as the Company was already meeting or exceeding "industry best practices." In response to an analyst's questions regarding rollover practices at Cash Genie, Rothamel specifically stated that "the number of rollovers" was a key consideration and that Cash Genie complied with "industry best practices."

95. On July 29, 2014, EZCORP announced its financial results for the third quarter of fiscal 2014. In an investor conference call held on that day, Defendants continued to misrepresent Cash Genie's unlawful practices and omit their knowledge of serious misconduct at Cash Genie. While revealing that EZCORP had informed the FCA of "three issues" with Cash Genie's regulatory compliance, Defendant Kuchenrither stated that they were "fully cooperating" with the FCA, and EZCORP was "adapting the [Cash Genie] business model to accommodate"

the "changes being imposed by the FCA." Kuchenrither reiterated that the U.K. market "represents a tremendous opportunity" for Cash Genie and EZCORP.

96. The statements above were materially false and misleading. In truth, rather than strictly comply with consumer protection regulations or adhere to "best practices," the Company – and its Cash Genie business in particular – consistently engaged in abusive lending practices during the Class Period. As the Company has now admitted, Cash Genie's business practices − which included assessing unauthorized charges to customer accounts, lying to customers, misusing customer banking information, and improperly rolling over customer loans − "raised serious concerns as to whether customers had been treated fairly." Rather than provide any sort of competitive advantage, the Company's disregard of industry best practices and violations of consumer protection regulations exposed the Company to great risk, including regulatory fines and other legal exposure, and ultimately caused Cash Genie's demise. Defendants' statements outlined above, as well as their omissions of the true material facts during the Class Period, were false and misleading for at least the following reasons:

a) Defendants have already admitted the falsity of many of their statements during the Class Period. For instance, and as explained above, it was during the third quarter of fiscal 2012 (*i.e.*, the period from April 1, 2012, to June 30, 2012) that EZCORP announced its acquisition of a controlling stake in Cash Genie, touted Cash Genie's practices in regards to "rollovers and multiple accounts," and stated specifically that Cash Genie, unlike some of its competitors, did not engage in unfair and deceptive practices of concern to the OFT such as rollovers. On November 7, 2013, however, Defendants admitted that in the third quarter of fiscal 2012 Cash Genie in fact "did not operate to [OFT] best practices."

Furthermore, on October 6, 2014, the Company admitted it was exiting its Cash Genie business in the U.K. and discontinuing its online lending operations in the U.S. as a direct result of its inability to meet "regulatory challenges" during the Class Period and due to the costs and "management focus and effort" that was required to bring the Company's businesses into compliance with the law;

b) Throughout the Class Period, Cash Genie regularly engaged in abusive and "irresponsible" lending practices that did not comply with either industry best practices or pertinent regulations, including most prominently:

- excessive rollovers;
- double logging; and
- improperly accessing customer accounts to add unauthorized charges;

c) As detailed above in section VEGA, during the Class Period enhanced regulatory examination put overwhelming pressure on the abusive lending practices that were at the core of Cash Genie's profitability and without which Cash Genie could not maintain profitability;

d) During the Class Period, new industry best practice standards as well as updated regulations in fact prohibited many of the lending practices that Cash Genie routinely engaged in;

e) During the Class Period, Defendants omitted that Cash Genie was engaged in rampant lending abuses that failed to comply with pertinent regulations and industry best practices; and

f) As detailed above in section M.D, EZCORP's acquisition of Cash Genie was motivated not by the "best practices" purportedly exhibited by Cash Genie prior

to the acquisition, but by Cohen's personal desire for acquisitions in relation to EZCORP's consulting agreement with Madison Park.

B. False Statements Concerning The Company's Consulting Agreement With Madison Park And Relationship With Cohen

97. Throughout the Class Period, Defendants also misrepresented the nature of EZCORP's consulting agreement with Madison Park, which was 100% owned by the Company's controlling shareholder, Cohen. By misrepresenting the nature of Cohen's consulting arrangement and the process the Board purportedly used in agreeing to the consulting agreement, Defendants concealed the fact that Cohen, through his control and domination of EZCORP management, used the Madison Park agreement to reap tens of millions of dollars in fees for himself and caused EZCORP to engage in the Cash Genie and A&B acquisitions.

98. For approximately ten years, EZCORP engaged Madison Park, purportedly to advise the Company on its "business and long-term strategic plan." In the Company's SEC filings during the Class Period, EZCORP falsely misrepresented the nature of that relationship and the process the Company purportedly undertook to approve and renew Madison Park's agreement on a yearly basis. For example, on October 4, 2012, the Company filed a Form 8-K with the SEC in which it reported that the Company's Board of Directors had determined to renew the advisory services agreement between EZCORP and Madison Park under a retainer fee that would pay Madison Park $600,000 per month, or $7.2 million per year – an increase of 20% from the $500,000 per month fee Madison Park had received the prior year. According to EZCORP, the Audit Committee of the Board implemented measures "designed to ensure that the advisory services agreement with Madison Park was considered, analyzed, negotiated and approved objectively." Those measures included (i) engaging a "qualified, independent financial advisory firm for the purpose of evaluating the proposed advisory services agreement," which

"counseled and advised the committee in the course of its consideration and evaluation of the Madison Park relationship and the proposed terms of the new advisory services agreement"; and (ii) obtaining an opinion from that independent financial advisory firm to the effect that the "consideration to be paid to Madison Park pursuant to the advisory services agreement is fair to EZCORP from a financial point of view."

99. According to the Company, the Audit Committee purportedly considered a report prepared by the financial advisor that analyzed comparable public company advisory agreements, including the structure of the contracted fee, and provided comparisons of the fees to various metrics such as revenues and earnings. Further, the Audit Committee purportedly considered "alternative sources" other than Madison Park, but concluded that "services provided by Madison Park under previous contracts had been essential to the company's growth and diversification of its business and that these types of services would be critical to continue that successful growth and diversification." The Company represented that the Audit Committee's decision to renew the advisory agreement was necessary because "given the current challenging market environment, the advice, counsel and guidance provided by Madison Park, as well as Madison Park's contacts and perspectives on strategic acquisition opportunities, would be critical to shaping and executing EZCORP's strategic plans, both short-term and long-term."

100. In addition, EZCORP represented that the Audit Committee also reviewed Madison Park's proposed fee in the context of "an analysis of the historical and proposed fee amounts compared with the company's historical and projected financial results, as well as the analytical data provided by the committee's financial adviser" to determine whether the proposed fee was appropriate. According to the Company, following "thorough discussion and analysis,"

the Audit Committee determined that the arrangement was "fair to, and in the best interests of EZCORP and its stockholders and, on that basis, approved the engagement of Madison Park."

101. EZCORP made similar representations concerning the Madison Park engagement and in the Company's annual report filed with the SEC on Form 10-K on November 20, 2012. In that Form 10-K, the Company represented that the Audit Committee of the Board of Directors purportedly "implemented measures designed to ensure that the . . . agreement with Madison Park was considered, analyzed, negotiated and approved objectively" – measures that included the engagement of an "independent financial advisory firm" and the receipt of a fairness opinion with respect to the compensation to be paid to Madison Park.

102. On October 15, 2013, EZCORP filed a Form 8-K with the SEC that described the "independent" and "objective" process EZCORP purportedly employed to ensure that Madison Park's "extended engagement was considered, analyzed, negotiated and approved objectively." In justifying its decision to renew Madison Park's fee at $600,000 per month ($7.2 million per year) for the fiscal 2014 year, EZCORP represented that even as its business had declined – with the Company's "EBITDA performance over the past year . . . adversely affected by [among other things] the Company's decision to invest in future growth opportunities" – the contract should be renewed. EZCORP represented that the Audit Committee determined that Madison Park's services were necessary because of the Company's need to "formulate and execute strategic plans to address and adapt to those continuing challenges created a continuing, if not enhanced, need for the unique expertise and services provided by Madison Park." Based on the process it outlined in the Form 8-K, including the conclusions and recommendations of an outside financial advisor, the Audit Committee determined the arrangement was "fair to, and in the best interests of, the Company and its stockholders."

103. These and similar representations were repeated in the Company's Form 10-K filed on November 27, 2013. In that filing, the Company again described the purported measures undertaken to ensure the engagement was "considered, analyzed, negotiated and approved objectively" and the Audit Committee's conclusion that Madison Park's compensation of $7.2 million per year was "in the best interests of, the company and its stockholders."

104. The above representations were materially false and misleading, and Defendants omitted the true facts regarding EZCORP's agreement with Madison Park and Cohen's control of EZCORP. Rather than "objectively" determining the true value of Cohen's services through an arm's-length process that ensured fair consideration to the Company and its shareholders, the Company's hiring of Madison Park – and its payment of millions of dollars in fees to Cohen – was in fact a foregone conclusion. In truth, Cohen dictated EZCORP's retention of, and the fees paid to, Madison Park, regardless of the fact that it drained the Company of millions of dollars annually.

105. As described further below, the truth behind the Madison Park agreement, Cohen's control of EZCORP, and the Board's purportedly objective and independent consideration of the Madison Park contract was first partially revealed in November 2012 when the Company disclosed that the lucrative contract was not economically advantageous for the Company, and when Defendants refused to answer why Madison Park's fees were increasing amid the Company's admission regarding the contract's value.

106. Then, following EZCORP management's May 2014 termination of Cohen's advisory agreement with EZCORP, Cohen ousted three Board members, including the CEO and the Chairman of the Board. This drastic reorganization of the Company further revealed that far from being "considered, analyzed, negotiated and approved" objectively and independently by

EZCORP, the Madison Park agreement was instead imposed on the Company just as Cohen imposed his choices for the Company's leadership.

C. EZCORP's Class Period Financial Statements Were Materially False And Misleading, And Violated GAAP And SEC Rules And Regulations

1. Defendants' Responsibilities

107. As set forth in the Statement of Financial Accounting Concepts ("SAC") No. 1, *Objectives of Financial Reporting by Business Enterprises* ("SAC 1"), one of the fundamental objectives of financial reporting is to provide accurate and reliable information concerning an entity's financial performance for the period being presented.

108. Specifically, SAC 1 states the following:

> Financial reporting should provide information about an enterprise's financial performance during a period. ***Investors and creditors often use information about the past to help in assessing the prospects of an enterprise.*** Thus, although investment and credit decisions reflect investors' and creditors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance.

109. Moreover, "[m]anagement is responsible for adopting sound accounting policies and for establishing and maintaining internal control," and "the fair presentation of financial statements in conformity with generally accepted accounting principles is an implicit and integral part of management's responsibility." (AU §110.03).[2]

110. The accrual method of accounting requires that when revenues are recorded, costs associated with those revenues should also be recorded. According to SAC No. 5, *Recognition*

[2] Generally Accepted Accounting Principles ("GAAP") are those principles recognized by the accounting profession as the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. SEC Regulation S-X (17 C.F.R. § 210.4-01(a)(1)) states that financial statements filed with the SEC that are not prepared in compliance with GAAP are presumed to be misleading or inaccurate, despite footnotes and other disclosures. Regulation S-X requires that interim financial statements must also comply with GAAP, with the exception that interim financial statements need not include disclosures that would be duplicative of disclosures accompanying annual disclosures, per 17 C.F.R. § 210.10-01(a).

and Measurement in Financial Statements of Business Enterprises ("CON 5"), EZCORP was required to record the appropriate level of expenses as it was recognizing revenues (*i.e.*, matching of revenues and expenses concept).

111. Paragraph 86 of CON 5 states:

> Consumption of economic benefits during a period may be recognized either directly or by relating it to revenues recognized during the period:
>
> a. Some expenses, such as cost of goods sold, are matched with revenues — they are recognized upon recognition of revenues that result directly and jointly from the same transactions or other events as the expenses.
>
> b. Many expenses, such as selling and administrative salaries, are recognized during the period in which cash is spent or liabilities are incurred for goods and services that are used up either simultaneously with acquisition or soon after.
>
> c. Some expenses, such as depreciation and insurance, are allocated by systematic and rational procedures to the periods during which the related assets are expected to provide benefits.

112. This method required EZCORP to record a liability or the impairment of an asset at the end of the period in which the liability or the impairment was incurred. A liability is defined in paragraph 35 of SAC No. 6, *Elements of Financial Statements* ("CON 6"), as follows:

> . . . probable[3] future sacrifices of economic benefits arising from present obligations[4] of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

113. CON 6 also describes three essential characteristics of a liability:

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[3] "Probable is used with its usual general meaning, rather than in a specific accounting or technical sense (such as that in SFAS 5, par 3), and refers to that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved…"

[4] "Obligations in the definition is broader than legal obligations. It is used with its usual general meaning to refer to duties imposed legally or socially; to that which one is bound to do by contract, promise, moral responsibility, and so forth (Webster's New World Dictionary, p. 981)."

a. [I]t embodies a present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assets at a specified or determinable date, on occurrence of a specified event, or on demand,

b. [T]he duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice, and

c. [T]he transaction or other event obligating the entity has already happened.

114. GAAP makes clear via Accounting Standards Codification ("ASC") 450, *Contingencies* ("ASC 450"), that:

> An estimated loss from a loss contingency ***shall be accrued by a charge to income*** if both of the following conditions are met:
>
> a. Information available prior to issuance of the financial statements indicates that ***it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements***. . . and
>
> b. The ***amount of loss can be reasonably estimated***.

115. SEC regulations require that certain disclosures supplement a company's quarterly and annual financial statements to help investors better understand a company's financial condition. Specifically, SEC Regulation S-K, Item 303, requires that each annual Form 10-K and quarterly Form 10-Q include a narrative explaining the financial statements and the changes in financial condition of the company "***through the eyes of management***":

> The presentation of financial statements in conformity with generally accepted accounting principles includes adequate disclosure of material matters. These matters relate to the form, arrangement, and content of the financial statements and their appended notes, including, for example, the terminology used, the amount of detail given, the classification of items in the statements, and the bases of amounts set forth.[5]

116. The specific disclosure requirement of Item 303 states:

[5] Auditing Standards, AU § 431, *Adequacy of Disclosure in Financial Statements*, ¶02.

> Describe any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.

117. SEC guidance No. 36, *Management's Discussion and Analysis of Financial Condition and Results of Operations* ("FRR 36"), further discusses Item 303. SEC Staff Accounting Bulletin ("SAB") Topic 13B requires disclosure of the company's policy for each material type of transaction. This provision requires the following disclosures with respect to liquidity, known trends and results of operations in the Management's Discussion and Analysis ("MD&A") section of the Form 10-K:

> MD&A requires a discussion of liquidity, capital resources, results of operations and other information necessary to an understanding of a registrant's financial condition, changes in financial condition and results of operations[6]. This includes unusual or infrequent transactions, known trends or uncertainties that have had, or might reasonably be expected to have, a favorable or unfavorable material effect on revenue, operating income or net income and the relationship between revenue and the costs of the revenue… The Commission stated in FRR 36 that MD&A should "***give investors an opportunity to look at the registrant through the eyes of management***[7] ***by providing a historical and prospective analysis of the registrant's financial condition and results of operations, with a particular emphasis on the registrant's prospects for the future***."

2. Defendants Manipulated EZCORP's Financial Statements By Delaying The Recognition Of Impairment Charges

118. In accordance with Accounting Principles Board ("APB") No. 18, *The Equity Method of Accounting for Investments in Common Stock* ("APB 18"), which was incorporated

[6] See Regulation S-K, Item 303 and FRR 36.

[7] In the context of EZCORP's investment in A&B, "through the eyes of management" required an elevated level of disclosure since the Company accounted for its investment utilizing the equity method of accounting, had the ability to exercise significant control over operating and financial policies, was the majority shareholder, held three of the nine board seats and, therefore, had more information about A&B than available to the investing public.

within ASC Topic 323-10, *Equity Method Investments*, an investor initially records an investment in the stock of an investee at cost, and adjusts the carrying amount of the investment to recognize the investor's share of the earnings or losses of the investee after the date of acquisition.

119. The amount of the adjustment is included in the determination of net income by the investor, and such amount reflects adjustments similar to those made in preparing consolidated statements including adjustments to eliminate intercompany gains. Dividends received from an investee reduce the carrying amount of the investment.

120. Furthermore, APB 18 states that use of the equity method of accounting for the investment is required if the ***investor has the ability to exercise significant influence over operating and financial policies of the investee***.

121. From the time of EZCORP's acquisition of almost 30% of the total outstanding shares of A&B up to the quarterly reporting period ended March 31, 2014 (*i.e.*, throughout the majority of the Class Period), EZCORP's financial statements disclosed, in relevant part, the following:

> At [the end of the reporting period], we owned 16,644,640 ordinary shares of Albemarle & Bond [Holdings, PLC,] representing almost 30% of its total outstanding shares. Our total cost for those shares was approximately $27.6 million. We account for the investment using the equity method.
>
> The fair values . . . are considered Level 1 estimates within the fair value hierarchy of FASB ASC 820-10-50, and were calculated as (a) the quoted stock price on each company's principal market multiplied by (b) the number of shares we owned multiplied by (c) the applicable foreign currency exchange rate at the dates indicated.

122. From September 30, 2011, to December 31, 2012, EZCORP's financial statements recorded the value of its investment in A&B consistently above its fair value under the equity method of accounting. This meant, among other things, that EZCORP repeatedly overstated the value of its assets in its publicly filed financial statements.

123. As detailed below, it is now clear the fair value of the investment in A&B was declining rapidly, decreasing more than $34 million, or more than 37%, in just 15 months.

A&B Investment Summary

	Quarterly Period Ended					
	Sept. 30 Q4' 2011	Dec. 31 Q1' 2012	Mar. 31 Q2' 2012	June 30 Q3' 2012	Sept. 30 Q4' 2012	Dec. 31 Q1' 2013
Recorded Value	$48,361	$49,616	$49,175	$51,156	$51,812	$54,559
Fair Value	$91,741	$84,622	$92,868	$63,677	$65,109	$57,402
Difference	**$43,380**	**$35,006**	**$43,693**	**$12,521**	**$13,297**	**$2,843**
Number of Shares	$16,644,640	$16,644,640	$16,644,640	$16,644,640	$16,644,640	$16,644,640
Cost of Shares	$27.6 million	$27.6 million	$27.6 million	$27.6 million	$27.6 million	$27.6 million

124. On April 19, 2013, A&B disclosed that profits for the fiscal year ending June 30, 2013, were expected to be materially below market expectations, citing reduction in gold buying profits and pressures on its pawn loan business due to the decline in gold prices as well as increased competition. A&B also disclosed that its Chief Executive Officer would step down immediately. At this time, Defendants were in the midst of preparing EZCORP's financial statements for the quarterly period ended March 31, 2013.

125. Following this announcement, A&B's stock price tumbled to $1.83 per share as of April 22, 2013, the first trading day after the April 19 announcement. This capped a decline of almost 50% in less than 4 months. Due to A&B's reduced stock price, as of April 22, 2013, the fair value of EZCORP's investment in A&B amounted to approximately $30.5 million.[8]

126. A&B's announcement was either known by EZCORP as of March 31, 2013,[9] or constituted a subsequent event as contemplated by Statement of Financial Accounting Standards

[8] As of April 22, 2013, EZCORP's fair value investment in A&B is calculated as being the number of shares owned multiplied by the closing day stock price in U.S. dollars or 16,644,640 * $1.83 = $30,459,691.

[9] Since the equity method of accounting requires that the ***investor has the ability to exercise significant influence over operating and financial policies of the investee and/or to influence***

("SFAS") 165, *Subsequent Events* ("SFAS 165"), which was incorporated in ASC 855-10. Either way, GAAP required EZCORP to review and revise the recorded balance of its investment in A&B as of March 31, 2013.

127. Per SFAS 165, subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. There are two types of subsequent events:

a. The first type consists of events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events).

b. The second type consists of events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date (that is, nonrecognized subsequent events).

128. In violation of GAAP, EZCORP did not disclose the announcement or adjust the recorded value of its investment in A&B.

129. On May 10, 2013, EZCORP filed with the SEC its Form 10-Q for the quarterly period ended March 31, 2013. In violation of GAAP, EZCORP recorded its investment in A&B using the March 31, 2013 closing stock price of $3.25 per share even though Defendants knew that the stock price of A&B had not traded higher than $2.17 per share for the period post-announcement to May 10, 2013.

130. Because of Defendants' GAAP violations, the investment in A&B was recorded as $53.1 million on EZCORP's balance sheet with a disclosed fair value of more than $54.1 million as of March 31, 2013, while Defendants knew that such investment could not have been worth more than $36.1 million.

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the operating or financial decisions of the investee, Defendants knew or were reckless in not knowing of the pending disclosure on or about March 31, 2013.

131. These GAAP violations caused EZCORP to overstate its reported investment in unconsolidated affiliates, total assets, equity in net income of unconsolidated affiliates, income before income taxes, net income, and net income attributable to EZCORP, Inc. for the quarterly period ended March 31, 2013, by at least $17 million.[10]

132. Had Defendants properly recorded EZCORP's investment in A&B in accordance with GAAP, EZCORP's financial statements as of and for the reporting periods ended March 31, 2013, would have been as follows:

EZCORP's Financial Statements

Balance Sheet	As of March 31, 2013 - 2nd Quarter 2013			
	As Reported	Adjustment	As Adjusted	Difference (%)
Investment in unconsolidated affiliates	$147,232	($16,934)	$130,298	-11.50%
Total Assets	$1,314,407	($16,934)	$1,297,473	-1.29%

Income Statement	For the Quarter Ended March 31, 2013			
	As Reported	Adjustment	As Adjusted	Difference (%)
Equity in net income (loss) of unconsolidated affiliates	$4,125	($16,934)	($12,809)	-410.52%
Income before income taxes	$50,966	($16,934)	$34,032	-33.23%
Net income	$34,880	($11,589)	$23,291	-33.23%
Net income attributable to EZCORP, Inc.	$33,981	($11,589)	$22,392	-34.11%
Net income per common share				
Basic	$0.63	($0.21)	$0.41	-34.11%
Diluted	$0.63	($0.21)	$0.41	-34.11%

[10] For the period from April 19, 2013, to May 10, 2013, the stock price of A&B traded at a high of $2.17 per share on April 29, 2013, a low of $1.82 per share on April 22, 2013, and at an average closing stock price of $2.02 per share for the period. Therefore, EZCORP's investment in A&B had a maximum fair market value during the period of $36.1 million as compared to a recorded value of $53.1 million, or $17 million lower than what EZCORP reported in its May 10, 2013 filing. In violation of GAAP and SEC guidance, Defendants made no disclosure and no adjustment to the financial statements in the Company's Form 10-Q.

Income Statement	For the Six-Month Period Ended March 31, 2013			
	As Reported	Adjustment	As Adjusted	Difference (%)
Equity in net income (loss) of unconsolidated affiliates	$9,163	($16,934)	($7,771)	-184.81%
Income before income taxes	$99,606	($16,934)	$82,672	-17.00%
Net income	$67,035	($11,589)	$55,446	-17.29%
Net income attributable to EZCORP, Inc.	$64,698	($11,589)	$53,109	-17.91%
Net income per common share				
Basic	$1.22	($0.22)	$1.00	-17.91%
Diluted	$1.22	($0.22)	$1.00	-17.91%

133. Defendants continued to mislead investors regarding the true nature of EZCORP's investment in A&B in the following quarter. Specifically, as of June 30, 2013 (3Q 2013), EZCORP disclosed that the fair value of investment in A&B had decreased to approximately $33.9 million, but Defendants reported a recorded value of approximately $52.3 million, or $3.14 per share.[11] Notably, the last closing trading price per share before June 30, 2013, was $2.03 per share, more than 35% lower than the recorded value.[12]

134. To avoid an impairment charge of more than $18 million during the quarterly reporting period ended June 30, 2013,[13] Defendants fraudulently stated that the decline in the fair value of EZCORP's investment in A&B was only temporary (*i.e.*, that somehow the fair value would increase above the recorded value in the near future). Defendants falsely attributed the decline to the trouble in the gold market and the absence of a permanent Chief Executive Officer at A&B.

[11] EZCORP owned 16,644,640 shares of A&B. Thus, the price per share is calculated to be approximately $3.14 per share (*i.e.*, $52.252 million / 16.644640 million shares).

[12] This violated Defendants' own accounting policy of recording their investment in A&B as the per share price as of the date of the balance sheet in U.S. dollars multiplied by the number of shares owned or 16,644,640.

[13] As disclosed by EZCORP, as of June 30, 2013, A&B's fair market value was approximately $33.9 million, or approximately $18.3 million lower than the recorded value.

135. Defendants knew however that, in truth, the decline in A&B's stock price was not temporary. A&B's stock price had declined to $1.83 per share as of April 22, 2013, had a high of $2.25 per share during this quarterly reporting period, and averaged $2.04 per share from April 22, 2013, to August 9, 2013.

136. Had Defendants recorded an other-than-temporary impairment of EZCORP's investment in A&B, as required by GAAP, EZCORP's financial statements as of and for the reporting period ending June 30, 2013, would have been as follows:

Balance Sheet	As of June 30, 2013 - 3rd Quarter 2013			
	As Reported	Adjustment	As Adjusted	Difference (%)
Investment in unconsolidated affiliates	$146,707	($18,332)	$128,375	-12.50%
Total Assets	$1,354,201	($18,332)	$1,335,869	-1.35%

Income Statement	For the Quarter Ended June 30, 2013			
	As Reported	Adjustment	As Adjusted	Difference (%)
Equity in net income of unconsolidated affiliates	$4,328	($18,332)	($14,004)	-423.57%
Income from continuing operations before income taxes	$25,796	($18,332)	$7,464	-71.07%
Income from continuing operations, net of tax	$16,657	($12,379)	$4,278	-74.32%
Net income	($4,840)	($12,379)	($17,219)	-255.77%
Net income attributable to EZCORP, Inc.	($5,881)	($12,379)	($18,260)	-210.50%
Net income per common share				
Basic	($0.11)	($0.23)	($0.34)	-210.50%
Diluted	($0.11)	($0.23)	($0.34)	-210.50%

Income Statement	For the Nine-Month Period Ended June 30, 2013			
	As Reported	Adjustment	As Adjusted	Difference (%)
Equity in net income of unconsolidated affiliates	$13,491	($18,332)	($4,841)	-135.88%
Income from continuing operations before income taxes	$129,092	($18,332)	$110,760	-14.20%
Income from continuing operations, net of tax	$87,008	($12,379)	$74,629	-14.23%
Net income	$62,195	($12,379)	$49,816	-19.90%
Net income attributable to EZCORP, Inc.	$58,817	($12,379)	$46,438	-21.05%
Net income per common share				
Basic	$1.10	($0.23)	$0.87	-21.05%
Diluted	$1.10	($0.23)	$0.87	-21.05%

137. EZCORP's fiscal year ends on September 30th of each year. The Company's financial statements for the annual reporting period ended September 30, 2013, were audited. In

connection with its year-end financial statements, EZCORP disclosed for the first time that, since the fair value of EZCORP's investment in A&B had continued to decline, EZCORP's recorded balance required an adjustment. Defendants recorded an impairment charge of approximately $42.7 million in the quarter ended September 30, 2013. This impairment charge reduced the Company's investment in A&B to a recorded value of approximately $0.58 per share. Notably, A&B's stock closed at $1.21 per share on September 30, 2013, and $0.62 per share as of October 18, 2013.[14] Defendants disclosed that valuing the investment as of October 18, 2013, "allowed the market to react and adjust to the information released by the company [A&B] the first week of October 2013, as previously mentioned, and therefore resulted in a reasonable fair value as of September 30, 2013."[15]

138. Defendant Kuchenrither stated that "it's primarily the gold market that has driven their shortfall and we had to view that as a permanent reduction in valuation . . ." Yet, as of September 30, 2013, the gold price was approximately $1,322 per ounce as compared to $1,181 as of June 30, 2013. If the price of gold was truly the main factor, then Defendants would have continued to qualify the decline as temporary, as they did in the prior quarter. Clearly, the stock price of A&B in and of itself was the determining factor of fair value.

139. By November 27, 2013, the date of the filing of EZCORP's Form 10-K for the fiscal year 2013, A&B's stock price had further declined to $0.38 per share. Nevertheless,

[14] The recorded value of $0.58 per share represented the lowest closing price of A&B stock from September 30, 2013, to October 18, 2013 (*i.e.*, closing price as of October 9, 2013). Had Defendants utilized this same approach six months earlier, the impairment charge required to be recognized during the quarterly period ended March 31, 2013, would have been approximately $21.8 million utilizing the closing price as of April 22, 2013, of $1.83 per share ($52.3 million less $30.5 million).

[15] Defendants' admission confirms their GAAP violations in the prior two quarters, when they neither disclosed the subsequent announcements nor adjusted EZCORP's financial statements as of the balance sheet date.

Defendants reassured the market that "the remaining value on our balance sheet is approximately $10 million and we don't anticipate at this time any further writedown." On that day, EZCORP's investment in A&B had a fair value of approximately $6 million, $4 million less than Defendants represented to the market.

140. One month later, Defendants disclosed that, as of December 31, 2013, EZCORP's investment in A&B was again less than the recorded value. Defendants did not, however, record an impairment charge.[16]

141. On February 7, 2014, Defendants filed EZCORP's Form 10-Q with the SEC for the quarter ended December 31, 2013. The Form 10-Q included a subsequent event disclosure which stated the following:

> Note 17: SUBSEQUENT EVENTS
>
> On January 27, 2014, Albemarle & Bond announced the termination of their formal sales process, and stated that there may be limited value attributable to the ordinary shares. We continue to assess the impact of this announcement on the value of our investment. However, we may be required to impair the remaining $7.9 million of our investment in the second quarter of fiscal year 2014.[17]

142. Defendants did not disclose, however, that as of February 7, 2014, A&B's stock price had fallen to $0.17 per share. Therefore, as of that date, the fair value of the Company's investment in A&B was worth less than $3 million, or almost 65% lower than the recorded balance. Defendants did not record an impairment charge in EZCORP's financial statements, in violation of GAAP.

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[16] Even though Defendants disclosed that the value of EZCORP's A&B investment was still less than the recorded value as of December 31, 2013, not recording an impairment charge during that reporting period could only mean that Defendants considered the further decline in value as "other-than-temporary," otherwise, an impairment charge would have been recorded.

[17] This again confirms that an announcement affecting the fair value of an investment post-balance sheet date constitutes a subsequent event requiring, at a minimum, disclosure and/or adjustment to the financial statements as of the balance sheet date.

143. Had Defendants recorded an other-than-temporary impairment of their investment in A&B, as required by GAAP, EZCORP's financial statements as of and for the reporting periods ended December 31, 2013, would have been as follows:

Balance Sheet	As of December 31, 2013 - 1st Quarter 2014			
	As Reported	Adjustment	As Adjusted	Difference (%)
Investment in unconsolidated affiliates	$97,424	($7,902)	$89,522	-8.11%
Total Assets	$1,369,129	($7,902)	$1,361,227	-0.58%

Income Statement	For the Quarter Ended December 31, 2013			
	As Reported	Adjustment	As Adjusted	Difference (%)
Equity in net income of unconsolidated affiliates	$1,271	($7,902)	($6,631)	-621.72%
Income from continuing operations before income taxes	$32,794	($7,902)	$24,892	-24.10%
Income from continuing operations, net of tax	$22,913	($5,401)	$17,512	-23.57%
Net income	$24,395	($5,401)	$18,994	-22.14%
Net income attributable to EZCORP, Inc.	$22,569	($5,401)	$17,168	-23.93%
Net income per common share				
Basic	$0.42	($0.10)	$0.32	-23.93%
Diluted	$0.42	($0.10)	$0.32	-23.93%

144. On April 29, 2014, the full truth was disclosed to the public when Defendants finally announced that EZCORP's investment in A&B was fully impaired. Specifically, EZCORP disclosed that, mostly based on the announcements made starting almost a year before, on April 19, 2013, and in early October 2013, it had determined that the Company's investment in A&B was worthless and that this impairment was permanent. Defendants recorded an other-than-temporary impairment of $7.9 million, which brought the recorded value of EZCORP's investment in A&B to zero.

145. Defendants disclosed that "in reaching this conclusion, we considered all available evidence, including that (i) Albemarle & Bond had not achieved forecasted revenue or operating results, (ii) Albemarle & Bond had been negatively impacted by the falling price of gold on the international markets, a drop of more than 20% this year, (iii) Albemarle & Bond

commenced a formal sale process of the company on December 5, 2013 and then terminated the process on January 27, 2014 after deciding that none of the proposals deemed to represent a fair value for the company, and (iv) a prolonged drop in Albemarle & Bond's stock price as a result of the above aforementioned factors."

146. In sum, had Defendants complied with GAAP, SEC rules and regulations, and applied consistent accounting practices throughout the reporting periods, Defendants would have reported:

a. During the quarterly reporting period ended March 31, 2013:

(1) An impairment charge associated with EZCORP's investment in A&B of at least $17 million;

(2) The impairment charge reduced EZCORP's investment in A&B from $53 million to its fair value of at most $36 million; and

(3) That as of April 19, 2013 an A&B announcement had significantly affected the trading price of A&B's shares, stating the reasons for the decline, and that such decline was not temporary and that the stock price was expected to continue to decline in a subsequent events footnote to the financial statements.

b. During the quarterly reporting period ended June 30, 2013:

(1) An impairment charge associated with EZCORP's investment in A&B of approximately $2 million;

(2) The impairment charge reduced EZCORP's investment in A&B from approximately $36 million to its fair value of less than $34 million; and

(3) That an announcement had been made as of April 19, 2013 which had significantly affected and continued to affect the trading price of A&B's shares, stating the reasons for such decline, that such decline was not temporary and that the stock price was expected to continue to decline in a subsequent events footnote of the financial statements.

c. During the quarterly reporting period ended September 30, 2013:

(1) An impairment charge associated with EZCORP's investment in A&B of approximately $24 million;

(2) The impairment charge reduced EZCORP's investment in A&B from approximately $34 million to its fair value of less than $10 million; and

(3) That, in addition to the April 19, 2013 disclosure, A&B made another announcement in early October 2013, which had once again significantly affected the trading price of its shares, stating the reasons for such decline, that the decline was not temporary, and would be expected to continue in the future in a subsequent events footnote of the financial statements. Specifically, Defendants would have disclosed that the trading price of A&B stock had fallen to $0.38 per share as of the date of the Company's filing which represented a fair value of approximately $6 million.

d. During the quarterly reporting period ended December 31, 2013:

(1) An impairment charge associated with EZCORP's investment in A&B of approximately $10 million;

(2) The impairment charge reduced EZCORP's investment in A&B from approximately $10 million down to its fair value of zero; and

(3) That, in addition to the several announcements during calendar year 2013, based on EZCORP's evaluation of the economic and strategic benefits of continuing to hold such an investment, since A&B had disclosed that the Company's stock price may have had limited value on an ongoing basis, and because the stock price was now trading at prices as low as $0.10 per share, EZCORP's investment in A&B was now worthless.

3. Defendants' Other GAAP And SEC Rules And Regulations Violations

147. In addition to the above-referenced departures from GAAP and SEC guidance, as a result of Defendants' accounting improprieties, the Company presented its financial results in a manner that violated the following fundamental accounting and reporting principles:

a. The principle that financial reporting should provide information that is useful to present and potential investors and creditors and other users of the financial reports in making rational investment, credit, and similar decisions (FASB Statement of Concepts No. 1, ¶34);

b. The principle that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and the effects of transactions, events, and

circumstances that change resources and claims to those resources (FASB Statement of Concepts No. 1, ¶40);

c. The principle that financial reporting should provide information about an enterprise's financial performance during a period. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' expectations about future enterprise performance, those expectations are commonly based, at least partly, on evaluations of past enterprise performance (FASB Statement of Concepts No. 1, ¶42);

d. The principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it (FASB Statement of Concepts No. 1, ¶50);

e. The principle that financial reporting should be reliable in that it represents what it purports to represent (FASB Statement of Concepts No. 2, ¶¶58-59);

f. The principle of completeness, which means that no information is omitted that may be necessary to insure that it validly represents underlying events and conditions (FASB Statement of Concepts No. 2, ¶79); and

g. The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered (FASB Statement of Concepts No. 2, ¶95).

D. Defendants' SOX And Internal Controls Certifications Were False And Misleading

148. Sections 302 and 906 of SOX require that a public company's principal officers certify their responsibilities for financial reports in each quarterly and annual filing. Likewise, Section 404 of SOX requires a public company to evaluate and report on the effectiveness of its internal controls over financial reporting annually.

149. During the Class Period, Defendants Rothamel and Kuchenrither, in accordance with Sections 302, 906 and 404 of SOX, periodically executed certifications stating, *inter alia*, that:

- EZCORP's financial statements did not contain any untrue statement or omissions;
- EZCORP's financial statements fairly presented the Company's financial condition, including results of operations and cash flows;
- EZCORP had controls and procedures related to financial reporting in place that provided reasonable assurances regarding the reliability of financial reporting and the preparation of the Company's financial statements in accordance with GAAP; and
- Defendants Rothamel and Kuchenrither had personally evaluated the effectiveness of EZCORP's disclosure controls and procedures.

1. Sarbanes-Oxley Certifications

150. Defendants Rothamel and Kuchenrither completed certifications pursuant to Section 302 of SOX in conjunction with EZCORP's Forms 10-K for the years ended September 30, 2012 (filed with the SEC on November 20, 2012), and September 30, 2013 (filed with the SEC on November 27, 2013). These certifications stated that:

a. I have reviewed this Annual Report on Form 10-K of EZCORP, Inc.;

b. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

c. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

d. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d- 15(f)) for the registrant and have:

(1) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(2) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(3) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(4) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

e. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(1) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(2) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

151. Defendants Rothamel and Kuchenrither also completed certifications pursuant to Section 302 of SOX in conjunction with EZCORP's Forms 10-Q filed with the SEC throughout the Class Period, including on May 10, 2012 (period ended March 31, 2012), August 8, 2012 (period ended June 30, 2012), February 7, 2013 (period ended December 31, 2012), May 10, 2013 (period ended March 31, 2013), August 9, 2013 (period ended June 30, 2013), February 7,

2014 (period ended December 31, 2013), May 12, 2014 (period ended March 31, 2014), and August 8, 2014 (period ended June 30, 2014). These quarterly certifications contained substantially similar statements as the annual Section 302 certifications detailed above.

152. Defendants Rothamel and Kuchenrither also completed annual certifications pursuant to Section 906 of SOX in conjunction with EZCORP's Forms 10-K for the years ended September 30, 2012 (filed with the SEC on November 20, 2012) and September 30, 2013 (filed with the SEC on November 27, 2013). These certifications stated that:

a. EZCORP's Annual Report on Form 10-K for the year ended September 30, 2013, as filed with the Securities and Exchange Commission, fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, as amended; and

b. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of EZCORP.

153. Defendants Rothamel and Kuchenrither also completed certifications pursuant to Section 906 of SOX in conjunction with EZCORP's Forms 10-Q filed with the SEC throughout the Class Period, including on May 10, 2012 (period ended March 31, 2012), August 8, 2012 (period ended June 30, 2012), February 7, 2013 (period ended December 31, 2012), May 10, 2013 (period ended March 31, 2013), August 9, 2013 (period ended June 30, 2013), February 7, 2014 (period ended December 31, 2013), May 12, 2014 (period ended March 31, 2014) and August 8, 2014 (period ended June 30, 2014). These quarterly certifications contained substantially similar statements as the annual Section 906 certifications detailed above.

2. Internal Controls Over Financial Reporting

154. In addition to including Defendants Rothamel and Kuchenrither's certifications, EZCORP's periodic SEC filings stated, *inter alia*, that (1) EZCORP's internal controls were effective and functioning properly throughout the reporting period; and (2) adequate testing procedures existed that ensured that EZCORP's financial statements were fairly presented in

accordance with GAAP. For example, EZCORP's Form 10-K for the fiscal year ended September 30, 2013, filed with the SEC on November 27, 2013, contained the following statement:

> CONTROLS AND PROCEDURES
>
> *Evaluation of Disclosure Controls and Procedures*
> Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2013. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2013.
>
> *Management's Report on Internal Control Over Financial Reporting*
> Management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of our internal control over financial reporting. Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d(f) under the Securities Exchange Act) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets, (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, (c) provide reasonable assurance that receipts and expenditures are being made only in accordance with appropriate authorization of management and the board of directors, and (d) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.
>
> Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management has assessed the effectiveness of our internal control over financial reporting as of September 30, 2013. To make this assessment, management utilized the criteria for effective internal control over financial reporting described in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment,

management has concluded that our internal control over financial reporting was effective as of September 30, 2013.

155. EZCORP's Forms 10-K for the year ended September 30, 2012, filed with the SEC on November 20, 2012, contained exactly the same, or substantially similar, statements.

156. Likewise, EZCORP's Form 10-Q for the quarterly reporting period ended March 31, 2013, filed with the SEC on May 10, 2013, contained the following statements:

Controls and Procedures

Evaluation of Disclosure Controls and Procedures
Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2013. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2013.

Changes in Internal Control Over Financial Reporting
There were no changes in our internal control over financial reporting during the second quarter of fiscal 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

157. EZCORP's Forms 10-Q filed with the SEC throughout the Class Period, including on May 10, 2012 (period ended March 31, 2012), August 8, 2012 (period ended June 30, 2012), February 7, 2013 (period ended December 31, 2012), May 10, 2013 (period ended March 31, 2013), August 9, 2013 (period ended June 30, 2013), February 7, 2014 (period ended December 31, 2013), May 12, 2014 (period ended March 31, 2014) and August 8, 2014 (period ended June 30, 2014), contained exactly the same, or substantially similar, statements.

158. Finally, Defendants Rothamel and Kuchenrither confirmed, via the signature of management representation letters to BDO USA, LLP, EZCORP's independent registered public auditing firm for the fiscal years ended September 30, 2012 and 2013, that EZCORP's management (including Defendants Rothamel and Kuchenrither) alone was responsible for maintaining effective internal controls throughout the reporting periods included in the Class Period, and assessing the effectiveness of such internal controls over financial reporting.

159. As detailed herein, Defendants knew or recklessly disregarded that their statements regarding the Company's compliance with SOX and the presence of effective disclosure controls and effective internal controls over financial reporting were materially false and misleading because Defendants were aware that EZCORP suffered from pervasive internal deficiencies, including a lack of the proper "tone at the top," lack of appropriate management and personnel to ensure that the Company's goals were achieved, lack of general corporate governance and compliance policies and procedures, lack of quality assurance and quality control, management and personnel, and corporate compliance.

160. In addition, Defendants knew of, but ignored, numerous additional "red flags" indicating that the internal controls over financial reporting were not properly maintained, did not provide for an effective control environment, and did not function properly, including, but not limited to the following:

a. Defendants knew or were reckless in not knowing that EZCORP did not possess the appropriate personnel, resources and/or infrastructure sufficient to provide customers with cash solutions in the pawn and financial services businesses utilizing a sound and adequate operational strategy and ensure that the financial results of the Company were appropriately reported and disclosed;

b. Defendants knew or were reckless in not knowing that EZCORP's Board of Directors was not strong nor independent enough to ensure that the Company's management had implemented and followed the policies and procedures related to internal controls over financial reporting ensuring that the financial results of the Company were appropriately reported and disclosed;

c. Defendants knew or were reckless in not knowing that EZCORP did not implement safeguards to deter or prevent management from circumventing the Company's policies and procedures surrounding the internal controls over financial reporting for the purpose of manipulating the Company's stock price which was frequently utilized as consideration for acquisitions;

d. Defendants knew or were reckless in not knowing that EZCORP had deficient underwriting and collection policies and procedures which did not provide for the continuous quality of the pawn and financial services' loan portfolios both of which were critical to the success of the Company;

e. Defendants knew or were reckless in not knowing that EZCORP violated GAAP by not consistently applying the Company's disclosed accounting policies and procedures related to the determination of the fair value of its investment in A&B as disclosed in the footnotes of the Company's financial statements;

f. Defendants knew or were reckless in not knowing that EZCORP violated GAAP by not consistently applying the disclosure and adjustment requirements dictated by subsequent events affecting both the recorded and fair values of the Company's investment in A&B;

g. Defendants knew or were reckless in not knowing that EZCORP violated GAAP by not recording an adjustment to the recorded value of the Company's investment in A&B, on a timely basis, in the appropriate reporting period and/or in the appropriate amount;

h. Defendants knew or were reckless in not knowing that EZCORP did not have in place proper policies and procedures to ensure that information required to be disclosed on SEC Forms 10-Q, 10-K and/or 8-K, was processed, recorded, summarized and reported within the time period specified in the SEC's rules and forms; and

i. Defendants knew or were reckless in not knowing that EZCORP did not have in place proper policies and procedures to ensure that the changes in the Company's internal control over financial reporting which had materially affected or were reasonable likely to materially affect the Company's internal controls over financial reporting were disclosed appropriately and in a timely manner.

161. Most, if not all, of the "red flags" described above, which are not boilerplate or general market conditions and supported by the CWs' testimony, were known by Defendants to exist throughout the Class Period. In fact, Defendants have admitted, among others, that the Company's investment in A&B was ultimately worthless.

VII. INVESTORS SUFFER LOSSES AS THE TRUTH BEGINS TO EMERGE

162. Throughout the Class Period, the price of EZCORP's common stock was artificially inflated as a result of Defendants' materially false and misleading statements and omissions identified above. The truth behind Defendants' various false statements and omissions was gradually revealed to the market on a piecemeal basis in a series of corrective disclosures. In light of Defendants' extensive misstatements and omissions regarding regulatory compliance, EZCORP's relationship with Madison Park, its A&B investment, and its internal controls, the corrective announcements caused investors to suffer significant losses during the Class Period.

163. **November 6, 2012 disclosure**: The truth regarding Cohen's active dominance over EZCORP, including his unfair and self-serving inflation of the value of the Madison Park contract with EZCORP, was partially disclosed in November 2012. On November 6, 2012, after the close of trading, Defendants held an investor conference call to discuss the Company's record financial results for the fiscal year and fourth quarter of 2012. On the conference call, Kuchenrither explained that opening stores "de novo," as opposed to enhancing the Company's footprint through acquisitions, was now the Company's "primary strategy." This disclosure marked a change for EZCORP away from the acquisition-driven strategy it had pursued under Cohen, and revealed, in part, the unfairness of EZCORP continuing to pay Madison Park over $7 million per year for consulting advice regarding mergers and acquisitions.

164. John Rowan, an analyst from Sidoti & Company, questioned the logic of EZCORP's announcement in October 2012 that it was *increasing* its fees paid to Madison Park by 20% even while M&A services were decreasing: "Quite frankly, if you are [now] stepping away from M&A, why are you increasing the fee to the control[ling] shareholder who largely provides M&A services?" In response, Defendants did not answer the question. Instead,

Rothamel admitted that "de novo growth" through non-M&A transactions was more profitable for the Company than the M&A transactions.

165. This disclosure on November 6, 2012, partially informed investors that EZCORP's consulting agreement with Madison Park was detrimental to the Company's financial position as it was supported not by a sensible acquisition strategy focused on maximizing profits, but instead by Cohen's ability to influence the Company to retain the agreement. Following this disclosure, EZCORP shares fell over 14%, declining from $20.75 per share on November 6, 2012, to close at $17.81 on November 7, 2012, eliminating $141.8 million in shareholder equity on unusually high trading volume of over 1.5 million shares.

166. **November 7, 2013 disclosure**: On November 7, 2013, EZCORP disclosed in its Form 8-K filed with the SEC, and during an investor conference call held that same day, that its earnings were negatively impacted by at least $20 million as a result of the Company's Cash Genie investment. Contrary to the Company's prior representations, Rothamel admitted on the conference call that Cash Genie "did not operate to [OFT] best practices" in the third quarter of fiscal 2012 (April through June 2012). Moreover, Defendant Rothamel admitted that Cash Genie's new installment loan product suffered from "sub-standard execution related to underwriting and collections." Defendants also disclosed in the November 7, 2013 Form 8-K that they had incurred an impairment charge of $43 million ($29 million net of tax) on the Company's holdings of A&B stock.

167. In response to these disclosures, EZCORP shares fell over 26% over the course of two days, from a closing price of $15.52 per share on November 6, 2013, to $13.58 per share on November 7, and $11.34 per share on November 8, 2013, eliminating over $214 million in market capitalization on unusually high trading volume.

168. **April 29, 2014 disclosure**: In a Form 8-K filing with the SEC on April 29, 2014, EZCORP finally disclosed the full truth regarding its holdings of A&B, taking a $7.9 million impairment charge ($6 million net of tax) and adjusting its investment in A&B "down to zero." In response, the price of EZCORP's common stock fell 5.9%, from a closing price of $11.08 per share on April 29, 2014, to close at $10.43 per share on April 30, 2014, eliminating $33 million in market capitalization on unusually high trading volume of over 1.5 million shares.

169. **June 16, 2014 disclosure**: On June 16, 2014, after the close of trading, EZCORP filed a Form 8-K with the SEC disclosing that EZCORP had been in discussions with the FCA concerning "three issues regarding prior practices" at Cash Genie relating to violations of consumer protection laws that could require the Company to take significant "remediation actions, including payments to customers." The Company disclosed that, in light of this development and the "deteriorating regulatory environment in the U.K.," there was a risk of a significant impairment charge to that investment. EZCORP recognized publicly for the first time that "[t]he FCA has published regulatory guidelines that indicate that it will take a much more active and stringent regulatory approach to the industry," noting that "many activities and practices" in the payday lending business "will be prohibited or discouraged under FCA regulation." Defendants did not, however, reveal the full extent of their fraud, stating instead that the discussions with the FCA regarded "prior practices."

170. In response to this disclosure, the price of EZCORP's common stock declined by 4.3%, from a closing price of $12.43 per share on June 16, 2014, to a price of $11.90 on June 17, eliminating over $27 million of market capitalization on unusually high trading volume of over 1.1 million shares.

171. **July 18, 2014, July 21, 2014, and July 22, 2014 disclosures**: Less than five weeks after the partial disclosure of misconduct at Cash Genie, Defendants made a series of related partial disclosures reflecting Cohen's domination of EZCORP amidst further public airings of misconduct at Cash Genie. First, after markets closed on Friday, July 18, 2014, EZCORP announced that Cohen had removed Paul Rothamel as Director, President and Chief Executive Officer; William C. Love as Chairman; and Joseph Beal as Director; while installing Madison Park consultant Lachlan P. Given as a director and the non-executive Chairman of the Board. This overhaul of EZCORP's management came less than two months after the Company's May 21, 2014 announcement that EZCORP had terminated its consulting agreement with Cohen's Madison Park effective June 19, 2014, and that EZCORP's Board of Directors had elected William Love to the position of non-Executive Chairman of the Board. Amidst the turmoil, the Audit Committee's newly-installed chairman Charles Bauer − who had been the Audit Committee's Chair only since July 1, 2014, resigned on July 18, 2014, effective immediately. In his resignation letter, Bauer cited the particulars of the management overhaul.

172. As Cohen's exercise of domination over EZCORP was reaching the public, fresh disclosures regarding Cash Genie's lending misconduct further surprised investors. A publicly disclosed letter from Cash Genie (Ariste Holding Limited) to the FCA, dated July 21, 2014, admitted that Cash Genie's prior practices "raised serious concerns as to whether customers had been treated fairly." Among other things, the Company's July 21, 2014 letter admits that: (i) systems weaknesses may have enabled unauthorized charges to be applied to customer accounts, (ii) banking information was misused and provided to affiliated websites to repay outstanding debts of existing Cash Genie customers who were in arrears, and (iii) the Company had identified a number of issues related to improper rolling over of customer loans. A

"Financial Services and Regulation" bulletin published by the law firm Covington and Burling LLP on July 22, 2014, noted that due to the July 21 letter, Cash Genie would undergo a "consumer redress scheme" to determine whether Cash Genie "breached any contractual and/or regulatory obligations applicable at the relevant time, and whether consumers have suffered detriment as a result of any such breaches." The July 21 letter did not, however, reveal the full extent of Cash Genie's abusive lending practices or the monetary impact of the abuse.

173. On July 22, 2014, EZCORP filed a Form 8-K with the SEC, disclosing that in order to accomplish his management overhaul, Cohen had unilaterally amended the Company's by-laws to increase his power. The 8-K disclosed that Cohen had modified the by-laws so that, among other things, they now (a) "permit[ted Cohen] to fill Board of Director vacancies"; and (b) "permit[ted Cohen] to elect, appoint, remove and fill vacancies with respect to the Chairman of the Board and the officers of the Company." The 8-K also disclosed that Cohen had unilaterally amended the by-laws (a) to "raise the quorum requirement to 100% of the directors for meetings of the Board of Directors"; (b) to "raise the voting requirement to 100% of the directors for actions taken by the Board of Directors"; and (c) to state that special meetings of the Board of Directors could only be held when called by the Chairman of the Board. These changes thus eliminated the possibility that the President or other members of the Board could call a special meeting. With his Madison Park consultant Given now ensconced as the Chairman of the Board, Cohen ensured his ultimate control over all actions by the Board. The July 22, 2014 Form 8-K further disclosed that on July 21, the Company had notified the NASDAQ stock market that as a result of Cohen's overhaul of management, EZCORP was no longer in compliance with NASDAQ Listing Rule 5605(c)(2), which governs audit committee composition. Specifically, the Company had only one director (who is independent) serving on

its Audit Committee, while Rule 5605(c)(2) requires audit committees to have at least three members, each of whom must be independent.

174. Cohen's unilateral removal of the same directors who had eliminated the significant advisory fees he received through Madison Park's consulting relationship with EZCORP, as well as his related unilateral amendments to the Company's by-laws, revealed the true nature of the Madison Park agreement and the falsity of Defendants' prior representations regarding the Company's purportedly independent review of the agreement. These disclosures, combined with the disclosures that there were "serious concerns as to whether [Cash Genie] customers had been treated fairly," including due to "unauthorized charges," misuse of customers' banking information, and a number of issues relating to improper rollovers, caused EZCORP's stock to fall precipitously. In response, the price of EZCORP's common stock fell 14.3%, from a closing price of $11.12 per share on July 18, 2014, to $9.76 per share on July 21, and $9.53 per share on July 22, 2014, eliminating over $80 million in market capitalization on unusually high trading volume.

175. Analysts immediately reacted to the Company's disclosures, causing them to lower their ratings. On July 21, 2014, Sidoti & Company downgraded its rating of the Company's stock, noting "great concern" with Cohen's recent actions and stating specifically that "the management changes come on the heels of the May 2014 action by management to suspend Mr. Cohen's advisory agreement with EZPW." Sidoti & Company stated that Madison Park's retainer "is similar to a preferred dividend." "Most concern[ing]," the analysts stated, was that "the new Chairman Mr. Given currently serves as a 'consultant' to Madison Park," making him "clearly non-independent" and demonstrating that his appointment by Cohen "indicates that Mr. Cohen has no intention of surrendering his control over [EZCORP]." The analysts

concluded that given Cohen's recent actions, "we absolutely do not see any upside to the current [stock] valuation as long as Mr. Cohen insists on controlling EZPW through a close relationship with the Board Chair."

176. In a report dated July 21, 2014, JMP Securities concluded that Cohen had "fire[d] back" by executing a "purge [that] followed a series of recent governance moves by EZPW's board aimed at limiting the influence of Cohen, including the termination of the Company's consulting contract with Cohen's Madison Park advisory firm." In commenting on Cohen's "purge," JMP Securities highlighted that Cohen's recent actions had disclosed a degree of dependency by the EZCORP Board that investors had not known of previously, and which showed that the Company was worth less than investors had believed. JMP Securities stated that "[w]hile EZPW's atypical corporate governance structure (for a public company) has always been a concern for some investors, it has largely been restricted to opposition to the consulting arrangement between Madison Park and EZPW. Friday's board and management purge elevates the investment risk to a greater degree, if for no other reason than public investors may be left wondering how independently the board will act." The analyst report concluded that "one shareholder exerting so much control" was a serious hindrance to EZCORP's stock price "irrespective of financial performance."

177. In addition, on July 31, 2014, Wells Fargo analysts published a report highlighting Cohen's management overhaul as a "reversal of a move towards a more independent Board." Wells Fargo commented that shareholders were now "beholden to the actions of the controlling shareholder," and that "improved shareholder alignment" between shareholders and the Company was now "harder to foresee" as shareholder value would be "limited by the controlling shareholder and the newly appointed board-members/policies."

178. Cohen's July 2014 management overhaul and close relationship with Given also appear to be the subject of the SEC's ongoing investigation into EZCORP. According to EZCORP's post-Class Period disclosures, the SEC has requested from EZCORP "all documents and communications relating to [EZCORP's] historical advisory services relationship with Madison Park (the business advisory firm owned by Mr. Cohen) and LPG Limited (a business advisory firm owned by Lachlan P. Given) in addition to "all" Board materials and minutes throughout the Class Period.

179. **October 6, 2014 disclosure**: After the close of trading on October 6, 2014, in a Form 8-K filed with the SEC, EZCORP disclosed a dramatic reorganization of its business, explaining that it was exiting the Company's online businesses in both the U.K. (its "Cash Genie" operations) and in the U.S. (its "EZOnline" operations). EZCORP explained that these changes "follow[ed] the completion of a comprehensive review and evaluation of each of the Company's businesses by management and the Board of Directors." The Company stated that exiting the online businesses would result in approximately $110 million in goodwill impairments and other charges, and that it was lowering guidance for the fourth quarter of 2014. Indeed, in a direct reversal of the Company's assurances during the Class Period that stricter regulations governing consumer lending would benefit its businesses, the Company admitted it was exiting its Cash Genie online lending business in the U.K. and discontinuing its online lending operations in the U.S. as a direct result of its inability to meet "regulatory challenges" and due to the costs and "management focus and effort" that was required to bring the Company's businesses into compliance with the law.

180. As part of exiting the Cash Genie business, EZCORP would eliminate 115 positions, incur costs of $56 million, and record a one-time charge of approximately $53 million.

The Company also disclosed that its EZOnline business, in which it invested significantly beginning in November 2012, had taken "a significant amount of executive management focus and effort, and has required a variety of one-time expenses, while producing inconsistent and unpredictable results despite several growth and performance enhancement initiatives." The Company disclosed that as part of discontinuing the EZOnline business, the Company would eliminate 34 positions, incur approximately $50 million in costs, and record a one-time charge of approximately $50 million.

181. In response to the October 6, 2014 disclosure, the price of EZCORP's common stock immediately declined, falling 10% from a closing price of $9.95 per share on October 6, 2014, to close at $8.96 on October 7, 2014, on unusually high volume of 3.5 million shares. On October 23, 2014, EZCORP received a notice from the SEC that it had launched an investigation into EZCORP's activities.

VIII. ADDITIONAL ALLEGATIONS OF SCIENTER

182. In addition to the aforementioned facts, numerous additional facts demonstrate that Defendants acted with scienter throughout the Class Period in that each knew or were reckless in not knowing that their public statements and omissions alleged above were materially false and misleading.

A. The Individual Defendants Were Personally Involved In The Issues Alleged

1. The Individual Defendants Were Personally Focused On Cash Genie's Abusive Practices, Conducting Due Diligence And Receiving Frequent Updates

183. The abusive lending practices at Cash Genie were well known to EZCORP's senior management and Defendants Rothamel and Kuchenrither publicly spoke about the lending practices. Indeed, Defendants admitted that they had "boots on the ground" so that they could

"understand what is going on" regarding the U.K. regulatory environment. In addition, Defendants performed "due diligence" on Cash Genie. Moreover, numerous Confidential Witnesses identify and describe several internal reporting methods through which the Defendants were updated regarding Cash Genie's abusive practices.

184. For example, CW10 was aware that Defendants conducted due diligence of Cash Genie prior to the Cash Genie acquisition and CW10 attended meetings where the due diligence was discussed. According to CW10, "Paul [Rothamel] and Mark [Kuchenrither] were intimately involved [in the acquisition]" and Rothamel "overs[aw] the due diligence."

185. CW4 "had no doubt" that EZCORP was aware of the double logging, rollover, and "Super Admin access" issues, and what needed to be done in preparation for the FCA takeover, because these topics were discussed frequently with Cash Genie's interim CEO, Head of Compliance, and Finance Director, all of whom reported to senior management at EZCORP, including Kuchenrither. Between September and December 2013, CW4 participated in regular management meetings with Cash Genie's Head of Compliance and Interim CEO (who reported directly to Kuchenrither), and the Managing Director of Change Capital (who also reported to Kuchenrither). During those meetings, double logging and rollovers were discussed in connection with discussions about FCA regulations. Those meetings were held "weekly and fortnightly," and minutes were kept and distributed.

186. According to CW4, numerous EZCORP vice presidents were focused on Cash Genie because the Company knew that Cash Genie was a "problem child." In fact, CW4 confirmed that the misconduct, including excessive rollovers, double logging, and improperly accessing customer accounts to add unauthorized charges, was so well known to EZCORP's

Chief Auditor and other executives and that the Company brought in a public-accounting firm to investigate the extent of the problem.

187. CW4 also confirmed that after returning to Cash Genie in September 2013 and discovering an issue with delinquent loans improperly being rolled over in order to inflate the assets on the balance sheet, CW4 wrote off "about a million" from the loan book and sent the issue "up the line." CW4 and the EZCORP audit team, including the Chief Auditor, attempted to "unravel [the issue] from the back end" where the data was kept. CW4 referred to it as a "massive job," and confirmed that the numbers "were just false." CW4 relayed that this was part of a larger investigation that KPMG was conducting.

188. Throughout the Class Period, Defendants received and had access to Audit Reports, Management Packs, and other periodic reports that discussed the misconduct and unethical practices alleged above. One of CW4's subordinates prepared monthly "Management Packs," which were distributed to Cash Genie's Finance Director, who worked with executives at EZCORP headquarters for distribution to the EZCORP Board. CW4 confirmed that these Management Packs were prepared for EZCORP and Change Capital, and were not internal Cash Genie documents. Kuchenrither and Rothamel received these monthly Management Packs, and CW4 specifically recalled seeing Kuchenrither's name on emails circulating the Management Packs. According to CW4, the Management Packs contained "whatever the key issues were, who was responsible, and what was being done." CW4 recalled specifically that the Management Packs included discussions of double logging, Super Admin access, problems reconciling loan balances, and the lack of affordability checks being conducted before loans were made or rolled over. CW4 recalled discussions among EZCORP executives regarding what

needed to be done to address these issues given the impending FCA takeover as the primary regulator.

189. CW8 corroborated that the Management Pack was produced monthly, and that it contained "a complete P&L, balance sheet . . . internal control issues, reconciliations, anything to do with SOX…full blown financial reporting with a forecast as well." The Management Packs also included information on rollovers in terms of how much interest was collected each month. While information on double logging was not expressly included, CW8 said that it came up in meetings because "you would ask about how money was collected." CW8's finance team would put the pack together in the U.K. and then work with EZCORP's Global Corporate Controller and the Senior Corporate Accountant in Austin, who shared it with EZCORP's Chief Accounting Officer. CW8 confirmed that the report would "definitely be shared with Mark (Kuchenrither)." When asked what sort of internal control issues were included, CW8 again mentioned the loan book system and "turning off [Super Admin] access – control over operations."

190. CW4 also stated that the EZCORP Audit Department identified and prepared a "risk control matrix" of 50 deficiencies or items that needed to be fixed to comply with SOX. The 50 items were given to Cash Genie management as "to do" items. EZCORP's Chief Auditor was responsible for and personally involved in the SOX audit and the preparation and dissemination of the risk control matrix. CW4 thereafter attended and kept minutes of regular SOX meetings with EZCORP's Chief Auditor at which Cash Genie's lack of progress in addressing the deficiencies were discussed. Reports of the meetings were prepared and distributed. Two of the issues that CW4 recalled being included on the risk control matrix that prevented the Company from being SOX compliant were the InTime system and the loan book not reconciling. Referencing a December 2012 conference call that CW4 participated in

alongside the Chief Auditor, Cash Genie's President, Kuchenrither and another member of the audit team based in Austin, Texas, CW4 confirmed that Cash Genie was not seriously addressing any of the 50 action items identified. CW4 recalled that on that conference call, the Chief Auditor "was shouting at [Cash Genie's founder and CEO] that he was not doing what he was supposed to be doing."

191. CW8 confirmed that when CW8 joined Cash Genie in late 2013 as Interim Finance Vice-President, the Company was working on the SOX audit and had weak internal controls, including problems with the loan book and financial systems. One of CW8's first recommendations was for the Company to purchase a new loan book system in order to be compliant with FCA because the current system didn't allow the Company to prevent unauthorized access, which led to double logging and multiple rollovers.

2. As Top Executives, The Individual Defendants Were Personally Aware Of The True Nature Of The Madison Park Agreement

192. Defendant Rothamel, as President and CEO of the Company, and Defendant Kuchenrither, as Executive Vice President and CFO of the Company, knew during the Class Period that the misstatements and omissions detailed above regarding the Company's relationship with Madison Park were false and misleading. For instance, given their positions in the highest echelons of management and their roles in handling the Company's strategy, they knew or were reckless in not knowing that Madison Park was not providing the value that they publicly claimed regarding the Company's strategic decision-making. For example, during an investor conference call on November 7, 2013, an analyst questioned whether he could "look at the comps," i.e., the companies comparable to Madison Park that the Board purportedly reviewed "in order to justify the $600,000 per month that's paid for Madison Park." Rothamel

responded that he would personally "take your request and advice" and "put it in front of the Board."

193. Several Confidential Witnesses confirm that the true nature of the Madison Park agreement was well known throughout the Company. CW14, EZCORP's Director of Internal Audit, did not believe that there was ***any*** consulting going on between Madison Park and EZCORP. CW13, EZCORP's Vice President of Operations, stated that he was familiar with EZCORP's relationship with Madison Park and that he had "no idea what [Madison Park] did for th[e] money." CW13 noted that Cohen pushed to acquire Cash Genie so quickly because he was "extremely obsessed with international acquisitions," Rothamel was his "puppet" who was "along for the ride." CW13 corroborated that Cohen's July 2014 management restructuring was in retaliation for the termination of the Madison Park agreement. Agreeing with CW13 and the analysts covering the matter, CW10 heard while at the Company that when Rothamel wanted to break away and terminate the Madison Park contract, "Phil fired him." CW10 stated succinctly that the Madison Park agreement existed because Cohen "determined that his company would be a consultant and charge a certain rate" and that the agreement was simply how Cohen "gets his money out of the company."

3. Defendants Knew Of The Company's Failures To Accurately Report Its A&B Investment

194. As the Chief Executive Officer and Chief Financial Officer of the Company, Defendants Rothamel and Kuchenrither were responsible for managing the Company's finances, including EZCORP's investment in A&B. Defendant Kuchenrither in particular made statements regarding the value of the A&B investment on investor conference calls. Furthermore, the facts underlying the misstatements of the A&B investment reveal that the Defendants were aware of the required impairment charge long before it was finally recorded. Defendants did not take an

impairment charge on EZCORP's investment in A&B until the fourth quarter of 2013. Yet Defendants disclosed in their Form 10-K for 2013, issued in November 2013, that the facts justifying the impairment charge were contained in A&B's April 19, 2013 announcement. In other words, Defendants **admit** that they were aware of the facts that compelled the Company to record the impairment charge **almost seven months before they announced the charge on November 7, 2013**. When Defendants issued their quarterly filings for the second and third quarters of 2013, Defendants knew, or had access to information suggesting that their statements about the Company's investment in A&B were inaccurate.

B. Defendants' False Statements Concerned The Company's Core Operations

195. As alleged above, EZCORP had two principal business lines during the Class Period: pawn brokering and payday lending. The Company's Board and senior executives, including Defendants, were intensely focused on the performance of those businesses, and on how and to what extent the changing regulatory landscape was impacting them. Defendants regularly discussed these core topics during the Class Period on investor conference calls and responded to questions from analysts regarding these core operations. For example, Defendants Rothamel and Kuchenrither regularly spoke publicly about the Company's regulatory compliance and adherence to "industry best practices."

196. On a July 30, 2013 earnings call, Defendants told investors that Cash Genie and the Company's other online lending businesses were strong drivers of the Company's results. In response to an analyst's question, Defendant Rothamel represented that the Cash Genie business had already "crossed over into profitability and been profitable now for us for the last six straight months" and that the Company expected it to have a "material" "positive impact during its next year." Rothamel commented specifically on the size of Cash Genie's "loan growth, and

marketing, things we've done there" as reasons that Cash Genie would have "a material impact, a positive impact during its next year."

C. Intense Regulatory Scrutiny Focused Defendants' Attention On Cash Genie's Irresponsible Lending Practices

197. Compliance with pertinent regulations was a central issue for EZCORP's lending business throughout the Class Period, and the importance of that issue grew throughout the Class Period as regulators increased their scrutiny, performed investigations, and published new regulations. As early as April 19, 2012, the first day of the Class Period, Defendants touted their attention to the issue. Rothamel emphasized during the investor conference call held that day that "we have boots on the ground with our own people, [and] we have boots on the ground with Albemarle & Bond, Cash Converters, so we . . . work our angles to understand what is going on" and be "comfortable" with the U.K. regulatory environment. Defendants repeatedly highlighted the importance of regulatory compliance and their actions to ensure compliance not only with the regulations, but also with evolving "industry best practices."

198. Numerous Confidential Witnesses similarly confirm Defendants' awareness of and focus on EZCORP's lending practices amid heightened regulatory scrutiny. CW8 recalled that the Chief Auditor and the EZCORP audit team "were camped" at Cash Genie and were there all the time. According to CW8, the Chief Auditor's team generated detailed audit plans that listed all of the issues identified during previous audits and were updated monthly with new findings. The auditors identified risks by business line, including the lack of controls and problems with the loan book. The Audit Reports went to Kuchenrither through the Chief Accounting Officer, and CW8 also received copies of the reports.

199. CW5 verified that "[a]udits were conducted all the time – every month" and that Audit Reports were presented to Rothamel, Kuchenrither, and other business unit leaders. CW5

explained that each side of the business—the pawn and financial services sides—would come together for two weeks and "put together our deck every month." The deck was then given to the division president, who would "go up with the Vice President and present it to the executives every month." CW5 recalled that there were hard copies as well as e-mails containing the decks.

200. CW6 reported directly to the Chief Auditor, and oversaw a team of seven people whose focus was to audit the payday and installment-loan business for compliance and internal fraud. CW6 sent auditors to the U.K. to conduct due diligence before the Cash Genie acquisition. They looked at the Company's business model and underwriting. Later, the Company conducted a full SOX audit of Cash Genie. The Chief Auditor told CW6 that Cash Genie "failed miserably," resulting in a number of top people being fired.

201. CW8 confirmed that there were monthly meetings held to discuss Cash Genie in which Kuchenrither and Rothamel participated. According to CW8, "Mark insisted that internal audit was present constantly." CW8 stated that there must have been a "continuous flow of information" between the Chief Auditor and Kuchenrither. In addition to the Managing Director of Change Capital, CW8 said that another EZCORP employee worked permanently at Cash Genie as an operations officer and reported to the Change Capital Managing Director. According to CW8, data analysts in Austin could access, query, and review Cash Genie's systems remotely.

202. According to CW8, Kuchenrither and Rothamel were heavily involved in Cash Genie, noting that Kuchenrither frequently was on conference calls with and gave direction to the audit team. CW8 said that the managing director of Change Capital, who reported directly to Kuchenrither (Change Capital's President), was in charge of Cash Genie and had sole responsibility as far as Austin was concerned. When asked whether Rothamel and Kuchenrither

were aware of the changes the Company would need to make to comply with the new FCA regulations, CW8 said: "Of Course."

203. CW1 reported that after EZCORP's corporate audit team audited Cash Genie for SOX compliance, CW1 heard "it was a hot mess out there." CW1 believes that the problems were discussed with management and the Board's Audit Committee. According to CW1, when EZCORP expanded into Canada, it made similar claims that regulations there would not have a negative impact on its business, which turned out to be untrue. In fact, contrary to EZCORP's claims, it ended up closing half the pawn stores in Canada because of compliance issues. It also had to close all pawn stores in Texas because of new ordinances. CW1 explained that once the Company started having problems in Canada, it realized that Cash Genie "would not be the best investment in the world." CW1 also acknowledged that rollovers were a problem in the U.S. and were used to "keep numbers high," and that there was "pressure from above to hit your numbers by the end of the day – by any means necessary."

204. CW4 confirmed that "Super Admin" access, which allowed unauthorized employees to access customer accounts to add unauthorized charges to customer accounts, was a "huge concern" to the Chief Auditor. CW4 regularly received a "dump" of who had access and noticed that account managers in the collections department were improperly being given access to customer accounts. In fact, according to CW4, "[o]n the last day of the month it was no holds barred with regard to access – people were given carte blanche," with "people adding fees without contacting [customers] and rolling over without contacting [customers]." CW4 communicated these issues to EZCORP's Chief Auditor.

205. According to CW12, because of new payday lending regulations, EZCORP had already pulled out of Dallas and business had "significantly dropped" in San Antonio and Austin

when CW12 joined the company in February 2014. CW13 worked on analyzing the impact that new statutes limiting rollovers would have in places like Houston, Waco, El Paso and Amarillo, and explained that Houston was EZCORP's largest market and "the impact was really being felt."

206. CW11 confirms that there were concerns within EZCORP about how changing regulations would affect the Company's consumer lending. Specifically, there was "major concern" among the senior financial analysts, the Vice President of Finance, and the President of U.S. Financial Services about how the Company could continue to draw revenue in the wake of regulatory changes that would limit loan balances and rollovers. CW11 noted that after new ordinances took effect, in addition to not conducting business in Dallas at all, in places like Austin and San Antonio the delinquency rate that was being written off "went up astronomically," and the default rate went up from "30 percent to 60 percent."

D. The Timing And Magnitude Of Defendants' Admissions Establish Defendants' Scienter

207. The proximity in time between Defendants' false and misleading statements, and the revelations of the truth, as well as the magnitude of the revelations, further support an inference of scienter. For example, throughout the Class Period, and at the same time as Defendants assured investors that the Company would thrive under increasing regulatory scrutiny, Defendants were admitting to regulators that the new FCA limits on rollovers and CPAs would affect the Company's business model.

208. As alleged above, the OFT found during its investigation that each of the top 50 payday lenders, including Cash Genie, had breached rules or standards in some way. As a result, the OFT referred the entire payday lending industry to the U.K.'s Competition Commission for a formal investigation, which, according to press reports, would include a full investigation of

every practice in the industry. As part of the investigation, the U.K.'s Competition & Market Authority ("CMA") held formal hearings. According to a published summary of a CMA hearing with Cash Genie on March 21, 2014, Cash Genie admitted that the changes to rollovers and CPAs "would have an effect on Cash Genie's business model." That admission contradicted the numerous public statements Defendants made about the effect the new regulations would have on Cash Genie, including recent statements on January 27, 2014.

209. The FCA published its final regulations in February 2014. Despite the fact that the new regulations were well known to Defendants, Defendants falsely claimed on April 29, 2014 that Cash Genie would thrive under the new regulations. Shortly thereafter, and after repeatedly assuring investors that the Company had "cleaned up" operations at Cash Genie and fully complied with industry best practices, the Company admitted serious concerns to the FCA in June 2014 about system weaknesses allowing unauthorized charges to customer accounts, double logging, and a number of issues relating to rollovers of customer loans.

210. Finally, on October 6, 2014, Defendants exited the online lending businesses, and were shutting down Cash Genie entirely because of the regulations. This disclosure came less than ten weeks after Defendants' false and misleading statements on July 29, 2014 that, among other things, Cash Genie was "adapting" its business model to "accommodate" the regulatory changes and that the U.K. market "represents a tremendous opportunity" for Cash Genie and EZCORP.

E. Defendants Used EZCORP Stock To Purchase Cash Genie

211. Defendants were motivated to artificially inflate the price of EZCORP's common stock during the Class Period as EZCORP used its own Class A Common Stock to finance the acquisition. During the Class Period, EZCORP paid for its October 2012 purchase of 23% of Cash Genie with 592,461 shares of EZCORP Class A Common Stock, valued at the time at over

$10 million. In contrast, as part of EZCORP's pre-Class Period agreement to purchase the first 72% of Cash Genie, EZCORP used its own stock to finance less than 20% of the cost of that initial investment (using $26.0 million in cash to finance the acquisition, along with 200,000 shares of EZCORP stock valued at $6.4 million).

212. By fraudulently inflating EZCORP's Class A Common Stock share price during the Class Period, as described above, Defendants were able to use fewer shares of EZCORP's common stock than they otherwise would have had to use in order to finance the acquisition. Defendants were incentivized to maintain an artificially high stock price to reduce the real cost of EZCORP's acquisitions.

IX. PRESUMPTION OF RELIANCE: FRAUD ON THE MARKET DOCTRINE

213. At all relevant times, the market for EZCORP's common stock was efficient for the following reasons, among others:

a) EZCORP common stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

b) As a regulated issuer, EZCORP filed periodic public reports with the SEC and the NASDAQ;

c) The average daily trading volume during the Class Period was over 450,000 shares;

d) During the Class Period, EZCORP was followed by multiple securities analysts who wrote reports about EZCORP that were distributed to their clients. Each of these reports was publicly available and entered the public marketplace;

e) EZCORP regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

f) EZCORP common stock was liquid and traded with moderate to heavy volume during the Class Period.

214. As a result of the foregoing, the market for EZCORP's common stock promptly digested current information regarding EZCORP from all publicly available sources and reflected such information in the price of EZCORP's common stock. All purchasers of EZCORP common stock during the Class Period suffered similar injury through their purchase of its common stock at artificially inflated prices, and a presumption of reliance applies.

215. A Class-wide presumption of reliance is also appropriate here under the Supreme Court's holding in *Affiliated Ute Citizens v. United States*, 406 U.S. 128, 92 S. Ct. 1456, 31 L. Ed. 2d 741 (1972), because the claims asserted herein are grounded in Defendants' material omissions. As this action involves Defendants' failure to disclose material adverse information regarding EZCORP's true business conditions – information that Defendants were obligated to disclose – affirmative proof of reliance is not necessary. All that is necessary is that a reasonable investor would have considered the omitted facts important in making the decision to invest in EZCORP common stock. Given that all the omitted information related directly to EZCORP's lending practices, its true financial condition, its lack of internal controls and the true relationship with Madison Park, that requirement is satisfied here.

X. NO SAFE HARBOR

216. The statutory safe harbor that applies to forward-looking statements under certain circumstances does not apply to any of the false and misleading statements pleaded in this Complaint. None of the statements complained of herein was a forward-looking statement. Rather, they were historical statements or statements of purportedly current facts and conditions at the time the statements were made, including statements about EZCORP's lending practices, EZCORP's financial condition, and the Company's internal controls over financial reporting,

among others. Further, the statutory safe harbor does not apply to statements included in financial statements that were made purportedly in accordance with GAAP, including EZCORP's quarterly reports on Form 10-Q and annual reports on Form 10-K issued during the Class Period.

217. To the extent that any of the false and misleading statements alleged herein can be construed as forward-looking, those statements were not accompanied by meaningful cautionary language identifying important facts that could cause actual results to differ materially from those in the statements. As set forth above in detail, then-existing facts contradicted Defendants' alleged false statements. Given the then-existing facts contradicting Defendants' statements, any generalized risk disclosures were not sufficient to insulate Defendants from liability for their materially false and misleading statements.

218. To the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those statements was made, the particular speaker knew that the particular forward-looking statement was false, and the false forward-looking statement was authorized and approved by an executive officer of EZCORP who knew that the statement was false when made.

XI. CLASS ACTION ALLEGATIONS

219. Lead Plaintiff brings this action as a class action pursuant to Rules 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired EZCORP common stock during the period April 19, 2012, through and including October 6, 2014 (the "Class"), and who were damaged thereby. Excluded from the Class are Defendants, other officers and directors of EZCORP at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns, and any entity in which Defendants or their immediate families have or had a controlling interest.

220. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, EZCORP common stock was actively traded on the NASDAQ. While the exact number of Class members is unknown to Lead Plaintiff at this time and can be ascertained only through appropriate discovery, Lead Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by EZCORP or its transfer agent, and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

221. The disposition of the claims in a class action will provide substantial benefits to the parties and the Court. At all relevant times, EZCORP had over 50 million shares of common stock outstanding, owned by hundreds or thousands of investors.

222. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether Defendants violated the federal securities laws;
- whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations and management of EZCORP;
- whether the Defendants caused EZCORP to issue false and misleading financial statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of EZCORP common stock during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

223. Lead Plaintiff's claims are typical of the claims of the other members of the Class, as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of the federal law that is complained of herein.

224. Lead Plaintiff will fairly and adequately protect the interests of the Class and has retained competent counsel experienced in class action securities litigation. Lead Plaintiff has no interests which conflict with those of the Class.

225. A class action is superior to all other available methods for the fair and efficient adjudication of this action because joinder of all Class members is impracticable. Additionally, the damage suffered by some individual Class members may be relatively small so that the burden and expense of individual litigation make it impossible for such members to individually redress the wrong done to them. There will be no difficulty in the management of this action as a class action.

COUNT ONE

For Violation Of Section 10(b) Of The Exchange Act And Rule 10b-5 Against EZCORP, Rothamel And Kuchenrither

226. Lead Plaintiff incorporates by reference each and every preceding paragraph as though fully set forth herein.

227. Lead Plaintiff asserts this Count pursuant to Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder against Defendants EZCORP, Rothamel and Kuchenrither.

228. During the Class Period, Defendants disseminated or approved the false statements set forth above, which they knew or deliberately disregarded as false and misleading in that they contained misrepresentations and failed to disclose material facts necessary in order

to make the statements made, in light of the circumstances under which they were made, not misleading.

229. Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 in that they:

a) employed devices, schemes and artifices to defraud;

b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon Lead Plaintiff and others similarly situated in connection with their purchases of EZCORP common stock during the Class Period.

230. Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein, and intended thereby to deceive Lead Plaintiff and the other members of the Class, or, in the alternative, Defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to Defendants. Said acts and omissions of Defendants were committed willfully or with reckless disregard for the truth. In addition, each Defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

231. Information showing that Defendants acted knowingly or with reckless disregard for the truth is peculiarly within Defendants' knowledge and control. As the senior executive managers and/or directors of EZCORP, Rothamel and Kuchenrither had knowledge of the details of the Company's internal affairs.

232. Rothamel and Kuchenrither are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, Rothamel and Kuchenrither were able to and did, directly or indirectly, control the content of the statements of EZCORP. As officers and/or directors of a publicly-held company, Rothamel and Kuchenrither had a duty to disseminate timely, accurate, and truthful information with respect to EZCORP's businesses, operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of EZCORP common stock was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning EZCORP's business and financial condition which were concealed by Defendants, Lead Plaintiff and the other members of the Class purchased or otherwise acquired EZCORP common stock at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities and/or upon statements disseminated by Defendants, and were damaged thereby.

233. Lead Plaintiff and the other members of the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for EZCORP common stock. Lead Plaintiff and the other members of the Class would not have purchased EZCORP common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements and omissions.

234. As a direct and proximate result of these Defendants' wrongful conduct, Lead Plaintiff and the other members of the Class suffered damages attributable to the material misstatements and omissions alleged herein in connection with their purchases of EZCORP common stock during the Class Period.

COUNT TWO

For Violation Of Section 20(a) Of The Exchange Act
Against Rothamel, Kuchenrither, Cohen And MS Pawn

235. Lead Plaintiff incorporates by reference each and every preceding paragraph as though fully set forth herein.

236. Lead Plaintiff asserts this Count pursuant to Section 20(a) of the Exchange Act against Rothamel, Kuchenrither, Cohen and MS Pawn.

237. Rothamel and Kuchenrither, by virtue of their executive leadership positions in EZCORP, had the power and authority to cause EZCORP to engage in the wrongful conduct complained of herein, and to control the contents of EZCORP's annual and quarterly reports and press releases. They were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance, and had the ability and opportunity to prevent their issuance or cause them to be corrected.

238. As officers and/or directors of a publicly owned company, Rothamel and Kuchenrither each had a duty to disseminate accurate and truthful information with respect to EZCORP's financial condition and results of operations, and to correct promptly any public statements issued by EZCORP which had become materially false or misleading.

239. Because of their positions of control and authority as senior executive officers, Rothamel and Kuchenrither were each able to, and did, control the contents of the various reports, press releases and public filings which EZCORP disseminated in the marketplace during the Class Period concerning EZCORP's results of operations. Rothamel and Kuchenrither each exercised control over the general operations of EZCORP, and possessed the power to control the specific activities which comprise the primary violations about which Lead Plaintiff and the other members of the Class complain. Rothamel and Kuchenrither were "controlling persons" of

EZCORP within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of EZCORP common stock.

240. Defendants Cohen and MS Pawn were at all relevant times also controlling persons within the meaning of Section 20(a) of the Exchange Act, as alleged herein. Defendants Cohen and MS Pawn were controlling persons of EZCORP through their ownership of all of EZCORP's outstanding voting stock. As acknowledged by the Company, Cohen "controls EZCORP through his ownership of all of the issued and outstanding stock of MS Pawn Corporation, the sole general partner of [MS Pawn], which owns 100% of [EZCORP's] Class B Voting Common Stock." MS Pawn Corporation, in turn, "has the sole right to vote its shares Class B Common Stock and to direct their disposition." As EZCORP explains in its SEC filings, "[a]s a result of his equity ownership stake, Mr. Cohen controls the outcome of all issues requiring a vote of stockholders and has the ability to control [EZCORP's] policies and operations. All of [EZCORP's] publicly traded stock is non-voting stock. Consequently, stockholders other than Mr. Cohen have no vote with respect to the election of directors or any other matter requiring a vote of stockholders except as required by law."

241. Defendants Cohen and MS Pawn were also controlling persons of EZCORP through their appointment of directors on the EZCORP Board. Throughout the Class Period, Cohen, through MS Pawn, appointed and approved all representatives on the Board. As a result, Cohen and MS Pawn at all relevant times had a control over executive compensation, Board nominations, corporate governance matters, and the continued employment and remuneration of EZCORP's most senior executives, Defendants Rothamel and Kuchenrither. Moreover, through their control over the Board, Defendants Cohen and MS Pawn had access to all reports, agendas,

and other information available to the EZCORP Board. Further, through Cohen's and MS Pawn's control over Madison Park, which was responsible for "advising" EZCORP "on investor relations and relations with investment bankers, securities analysts and other members of the financial services industry," Cohen and MS Pawn participated in the preparation and dissemination of the Company's communications, and controlled the Company's business strategy and activities. By reason of their control of EZCORP, Defendants Cohen and MS Pawn were able to, and did, control the contents of the Company's disclosures during the Class Period, which contained materially untrue and misleading information and omitted material facts.

242. By reason of their control of EZCORP, Rothamel, Kuchenrither, Cohen and MS Pawn are liable pursuant to Section 20(a) of the Exchange Act for EZCORP's violations of Section 10(b) and Rule 10b-5, to the same extent as EZCORP.

243. As a direct and proximate result of the conduct of Rothamel, Kuchenrither, Cohen and MS Pawn, Lead Plaintiff and the other members of the Class suffered damages in connection with their purchase or acquisition of EZCORP common stock.

XII. PRAYER FOR RELIEF

WHEREFORE, Lead Plaintiff prays for relief and judgment as follows:

A. Declaring this action to be a proper class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of the Class defined herein;

B. Awarding all damages and other remedies set forth in the Securities Exchange Act in favor of Lead Plaintiff and all members of the Class against Defendants in an amount to be proven at trial, including interest thereon;

C. Awarding Lead Plaintiff and the Class their reasonable costs and expenses incurred in this action, including attorneys' fees and expert fees; and

D. Awarding such other or further relief as the Court may deem just and proper.

XIII. JURY DEMAND

Lead Plaintiff, on behalf of the Class, hereby demands a trial by jury.

Dated: March 12, 2015

Respectfully Submitted,

BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP

/s/ Timothy A. DeLange

Blair A. Nicholas (admitted *pro hac vice*)
Timothy A. DeLange (admitted *pro hac vice*)
Richard D. Gluck (admitted *pro hac vice*)
Brandon Marsh (admitted *pro hac vice*)
12481 High Bluff Drive, Suite 300
San Diego, CA 92130
Telephone: (858) 793-0070
Facsimile: (858) 793-0323
blairn@blbglaw.com
timothyd@blbglaw.com
rich.gluck@blbglaw.com
brandon.marsh@blbglaw.com

-and-

Gerald H. Silk
1285 Avenue of the Americas
New York, NY 10019
Telephone: (212) 554-1400
Facsimile: (212) 554-1444
jerry@blbglaw.com

Counsel for Lead Plaintiff the Automotive Machinists Pension Trust and Proposed Lead Counsel for the Class